



A Study of Social Audit
OF
CORPORATE BODIES





A STUDY OF SOCIAL AUDIT OF CORPORATE BODIES



By

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"The trouble with the world is that the stupid are cocksure and the intelligent full of doubts".

Bertrand Russel

"There is no longer anything to reconcile, if there ever was, between the social conscious and the profit motive. Improving the quality of society—investing in better employees and customers for tomorrow—is nothing more than another step in the evolutionary process of taking a more far sighted view of investment".

Henry Ford II



Dedicated to

Late Prof. Paul Garner,

*Late Biswajit Chakraborty
My beloved young brother
and to my parents.*



FOREWORD



FOREWORD

Audit denotes examination of the records and report of an enterprise by accounting specialists who are not the same set of people responsible for their preparation. Public auditing by independent accountants has acquired professional status and become increasingly common with the rise of large business units and the separation of ownership from control. The public accountant applies tests to determine whether the management's statements fairly present the firm's financial position and operating results. Such independent evaluations of management reports are of interest to actual and prospective share holders, bankers, suppliers and government agencies.

This monograph seeks to extend the boundary of audit beyond what has been said above as the defining characteristic of the subject. This is perhaps dictated by the present sociological situation in science. Knowledge is not something which exists and grows in the abstract. It is a function of the human organism and of social organisation. However knowledge grows by the receipt of meaningful information capable of reorganising knowledge itself. The crisis in science today is the lack of communication among the scientists as a community. Specialisation has outrun communication. The more science breaks into sub-groups and less communication is possible among the disciplines, the greater chance there is that the total growth of knowledge is being slowed down by the loss of relevant communications. There has been too much of a spread of what can be called specialised deafness. As a counter offensive against such a trend it is observed that something which can be described as an interdisciplinary movement is emerging. The best examples are physical chemistry, social psychology,



biophysics, biochemistry, social anthropology, economic psychology and economic sociology. So far as this monograph is concerned, it attempts to unravel various aspects of what has come to be known as social audit. The focus of the monograph is social audit of corporate body.

The source of inspiration behind imparting a social perspective to audit is the possible damage to the interest of posterity caused by consumerism on an unprecedented scale arising from accelerated progress of science and technology. The nature and extent of this damage is expected to be best revealed by endowing audit with a social orientation. The evils being perpetrated by corporate bodies would remain undisclosed if audit remains confined to issuing certificates presumed to be the traditional 'true and fair view' regarding the activities of the corporate body. Something more is necessary. This seems to be the message of this monograph.

Audit, particularly social audit, has been considered as a way out of the sufferings and misgivings of corporate life where irresponsible behaviour to satisfy wanton desire and arbitrary decisions dominate, threatening disaster to human civilisation.

Dr. A. K. Chakrabarty's monograph is an offshoot of his doctoral thesis under the guidance of Prof. B. K. Basu, former Head of the Deptt. of Commerce and former Dean, Faculty Council for Post Graduate Studies in Commerce, Social Welfare and Business Management, Calcutta University. The appearance of an informed and unpretentious contribution is always cause for rejoicing. It gives us valuable insight into the intricacies of audit. There is no doubt that it will serve as a valid guide to many aspects of audit that have not been given the attention they deserve. We highly appreciate the contribution made by Dr. Chakrabarty.

Dr. Rathindranarayan Basu
Vice Chancellor
University of Calcutta

Date : April 30, 1999



PREFACE



P R E F A C E

Economic growth has been fostered to ensure better standard of living and the quality of life so as to make a Welfare State with humanised society within the framework of the principles enshrined in the Constitution. This stupendous task depends upon the honest, sincere and integrate effects of both natural persons as well as artificial persons—corporate bodies.

The jargons and juggleries illusioned the publics. The shareholders—voters of the corporate bodies and the consumers—voters of the products of the corporate bodies have in fact no choice in the constitution and contents of the corporate veil. Much depends upon the centres of influence. The business as well as the financial language is greek to them. This in its trail brought about miseries and inflicted upon the society in endangering the very existence of the people in the form of poisoning of food, toxicating the biological functions and paralysing the organs of the living beings, ecological imbalancing and polluting the environment. Susceptibility to sickness of the industrial undertakings and questioning the very livelihood of the working personnel and making the corporate management vulnerable in the process of professionalisation are surfacing the corporate maladies. This has made an irresistible approach to study the problem when the Statutory Audit is found inadequate to cope with the requirements. Social Audit supplements Statutory Audit to make the circuit complete and to signify the existence and continuance of the Artificial Juridical person, viz., the corporate body.

Unhesitatingly but fortunately Dr. B. K. Basu, M.Com, Ph.D., D.Litt, F.B.I.M. (Lond.), F.F.A. (Lond.), Professor, Department of Commerce, the then Dean, Faculty Council for Post Graduate Studies in Commerce, Social Welfare and Business Management, University of Calcutta, kindled the interest and motivated to make the study a few years back. It is his stewardship, active guidance and sagacious counselling from time to time that made the research possible at this age when engaged with so many pre-occupations. It is of



course a proud privilege to get this scope since Dr. Basu was my erstwhile teacher in M.B.A. course under this University at Indian Institute of Social Welfare and Business Management.

This work is composed of nine chapters including an introductory *Chapter 1*, which deals with the object, rational area and scope of study. *Chapter 2* deals with the impact of the corporate bodies in the socio economic perspective and the evolution of the performance towards contribution to the human civilisation and the development of parameters which are not revealed by the Statutory Audit. *Chapter 3* deals with the functions of corporate bodies and the malaise which questions the moral and ethical values. *Chapter 4* deals with the effects of consumption or use of the products of corporate bodies where toxin substances endangers inevitably human organs. *Chapter 5* deals with the maledictions of professionals. *Chapter 6* highlights the wanton use of resources causing imbalance of ecology and bankruptcy for the posterities. *Chapter 7* deals with demotivating factors causing industrial sickness without social responsibility. *Chapter 8* calls for attitude for openness and reform to sustain good health of corporate bodies. In *Chapter 9*, the author endeavoured to highlight the conclusive corrective measures on the basis of the findings.

My younger brother Sri Biswajit Chakrabarti, B.A., LL.B., G.D.M.M. (Materials Management), a Logistic Officer of a multinational company always encouraged and helped me in the form of ideas, literature, etc., in pursuing the research. I am thankful to him. His honesty and integrity in the corporate culture was a source of inspiration.

I am also thankful to my wife Dr. (Mrs.) Bharati Chakrabarti, M.B.B.S., D.C.P., for her continued and unusual support to complete the work. I record words of appreciation of patronisation of my second brother Dr. Debabrata Chakrabarti, M.Tech., Ph.D. and his wife Dr. (Mrs.) Monika Chakrabarti, M.Sc., Ph.D.

Dr. N. G. Chowdhury, Director of Modern Management and ex-Chairman and Managing Director of Tribeni Tissues and Sri H. P. Roy Chowdhury, ex-Director of I.C.W.A. and ex-Head of the Deptt., Indian Institute of Social Welfare and Business Management, whose affection, love and enthusiasm in pursuing academic interest was an inspiration to me.



I am thankful to Mr. Balsara, Financial Adviser to Tata Steel Co. and Mr. G. S. Dutt, Vice President (Personnel) of IOL Limited for providing me with necessary information and sparing their valuable time for discussion whenever I sought. Needless to state that it is the conviction of those personalities to popularise the concept 'Socail Audit' on a voluntary basis since too much Statutory obligations have a negative impact on the growth of the economy.

I thank Sri Shyamal Ghosh, Commercial Artist for pictograph and to Sri Ranesh Chandra Bhattacharya and to Sri Kaushik Paul for extending their help for printing. The author feels pleasure in conveying his heartfelt gratitude to Prof. R. N. Basu, Vice Chancellor and Prof. P. N. Roy, ex-Pro Vice Chancellor (Academic), for their blessings and Sri Pradip Kumar Ghosh, Superintendent, Calcutta University Press, for their co-operation, advice and best wishes for publication of the work.

Last but not the least the author remembers his parents whose endless blessings gave him tremendous impetus to pull this research work to a leading success.

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Date : June 1, 1999

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ABBREVIATIONS



ABBREVIATIONS

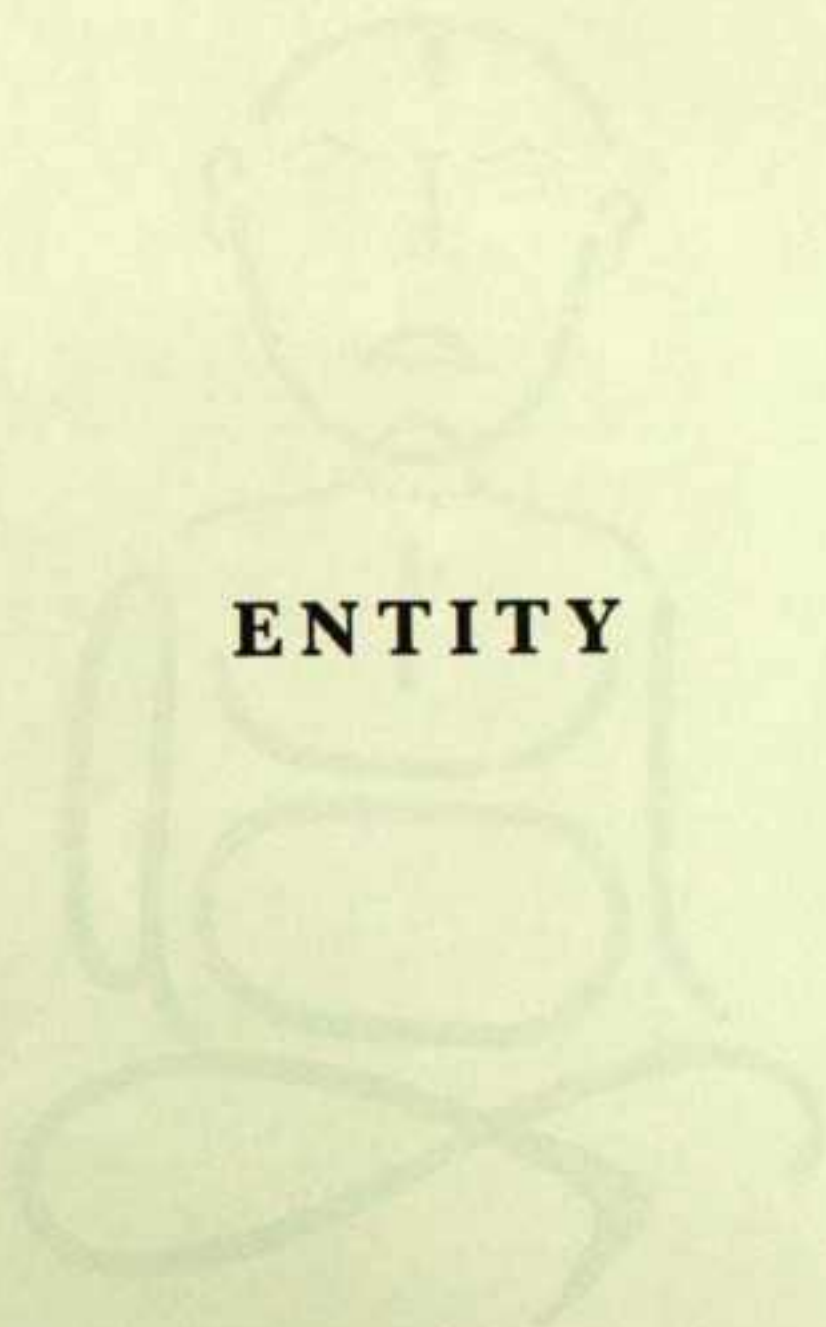
Art.	-	Article of the Constitution of India
AIDS	-	Auxiliary Immune Deficiency Syndrome
BHC	-	Benzene Hexachloride
BOD	-	Biochemical Oxygen Demand
B/S	-	Balance Sheet
BIFR	-	Board of Industrial and Financial Reconstruction
CCPA	-	Cabinet Committee on Political Affairs
CBI	-	Central Bureau of Investigation
CAG	-	Comptroller and Auditor General
CEO	-	Chief Executive Officer
C ₆ H ₆	-	Carboxy Haemoglobin
DDT	-	Dichloro Diphenyl Trichloroethane
ESI	-	Employees State Insurance
FAO	-	Food and Agricultural Organisation
FIR	-	First Information Report
IDR	-	Industries (Development & Regulation) Act, 1951
ITRC	-	Industrial Toxicology Research Centre
IDD	-	Iodine Deficiency diseases
IL	-	Industrial Licence
JPC	-	Joint Parliamentary Committee
KGMC	-	King George Medical College
Kmph	-	Kilometer per hour
MIS	-	Management Information System



M RTP	-	Monopoly Restrictive Trade Practices Act, 1969
mg	-	Milligram
MP	-	Member of Parliament
MOU	-	Memorandum of Understanding
MNAS	-	Minimum National Standards
MDA	-	Multiple Discriminate Analysis
NO _x	-	Nitrous Oxide
PAC	-	Public Accounts Committee
P & L	-	Profit and Loss
PBT	-	Profit Before Tax
PPM	-	Parts Per Million
PF	-	Provident Fund
ROI	-	Return On Investement
SC	-	Supreme Court
SO ₂	-	Sulphur dioxide
TISCO	-	Tata Iron & Steel Co. Ltd.
USC	-	Undertaking Service Commission



ENTITY



The book is a collection of the author's essays on the philosophy of religion, the philosophy of language, and the philosophy of mind. It is a collection of essays that have been published in various journals and books. The book is a collection of essays that have been published in various journals and books. The book is a collection of essays that have been published in various journals and books.



ENTITY



The entity concept is often considered as 'an artificial man' or 'an artificial body' which has no soul to be damned and no body to be kicked.

Source : B. K. Basu's 'Lectures on Management Accountancy' (Page 101)—
Chatterjee Publishing House.

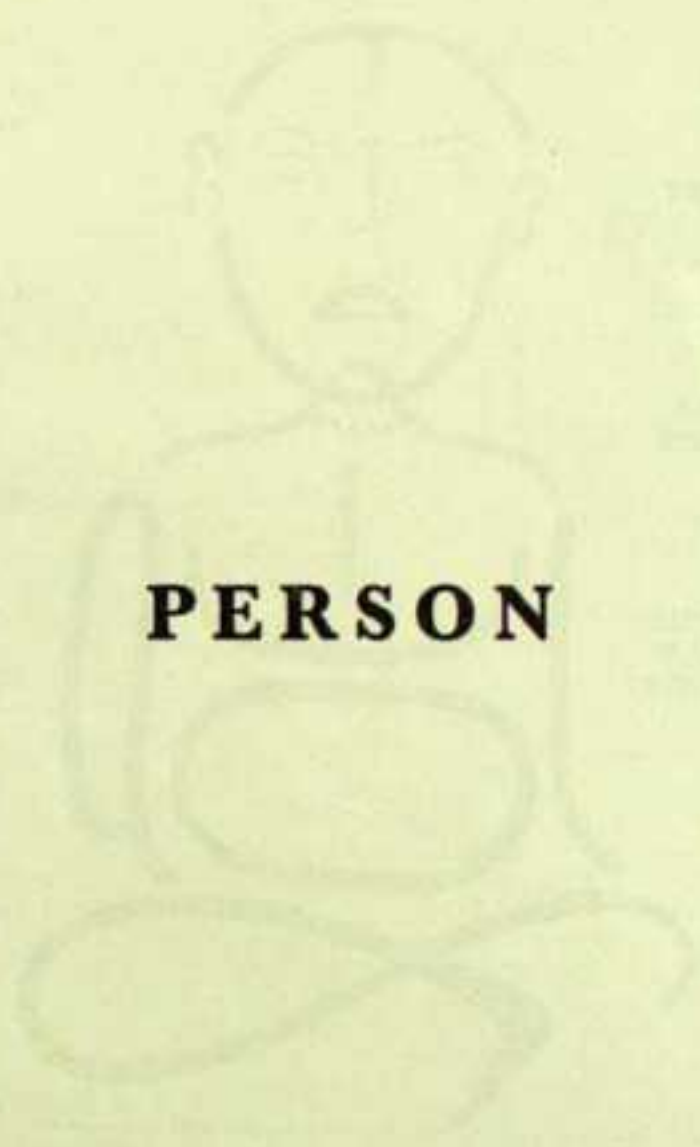


ANATOMY OF SOCIAL AUDIT

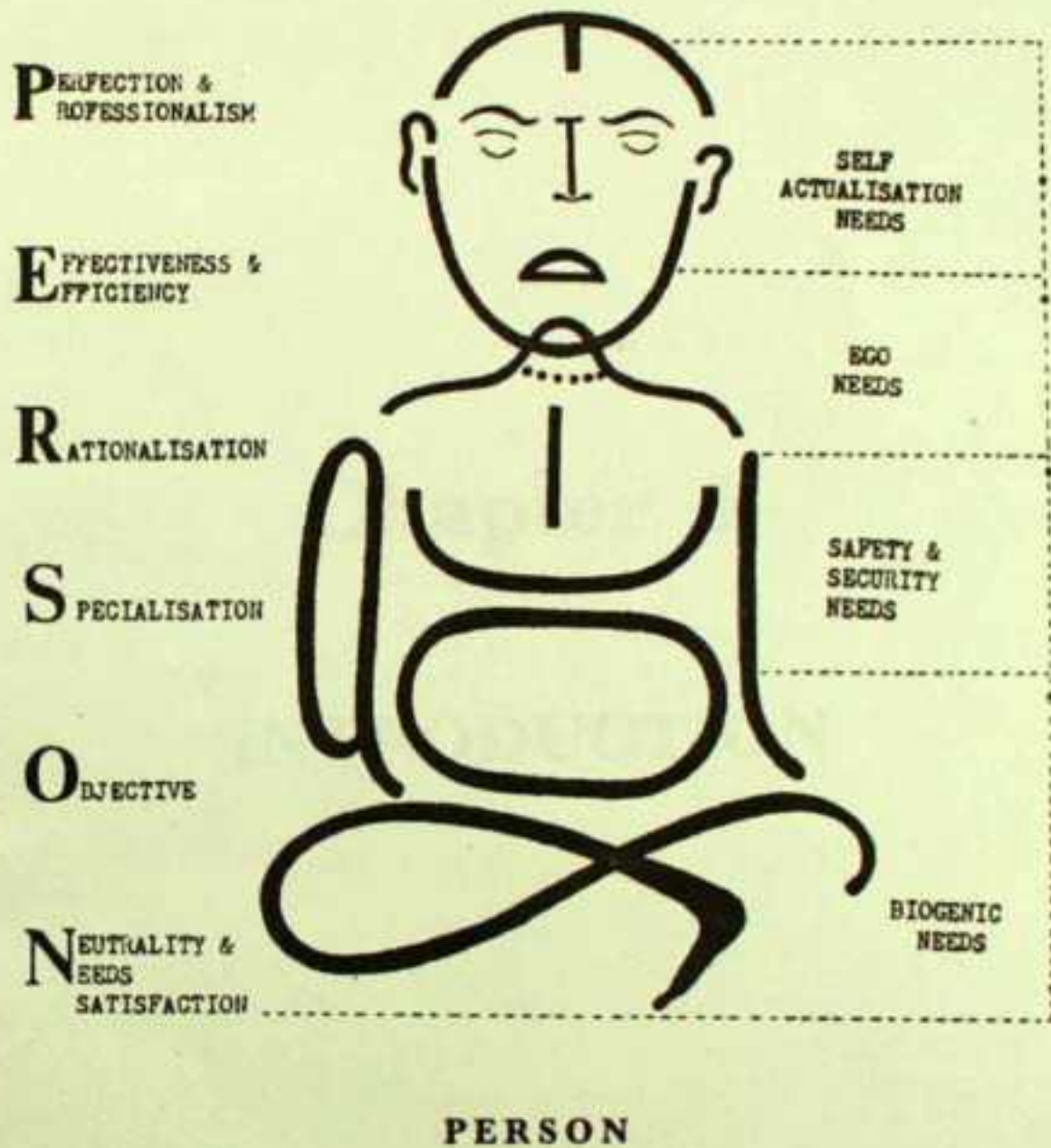


ANATOMY OF SOCIAL AUDIT

- S** : SUPPLEMENTING STATUTORY AUDIT, SCRUTINISING
SAFETY & SECURITY OF THE SERVICES
- O** : OFFERED TO THE
- C** : COMMUNITY AND
- I** : INVESTIGATE THE
- A** : ACTIONS OF
- L** : LIMITED LIABILITY CORPORATE BODIES AND
- A** : ANALYSING THE ACTIVITIES TO
- U** : UNEARTH THE
- D** : DEFECTS AND DISADVANTAGES FOR
- I** : INSTALLING THE
- T** : TRUTH

A faint, light-colored line drawing of a person is visible in the background. The person is depicted in a meditative or seated pose, with their legs crossed and hands resting on their knees. The drawing is centered and serves as a subtle backdrop for the text.

PERSON





Chapter 1

INTRODUCTION



Chapter 1

INTRODUCTION

A person—an individual is responsible to prepare himself as a good citizen nationally and internationally. This is a continuous effort for sustaining the culture and heritage in the caravan of civilization. The role of a person as prescribed by himself when matches with the role prescribed by others in the society provides for a social platform for peace and prosperity.

Likewise, a company—a corporate personality has a special continuing responsibility towards the people of the area in which it is located and in which its employees and their families live—the most significant contribution organised industry can make is by identifying itself with the life and the problems of the people of the community to which it belongs and by applying its resources, skills and talents to the extent it can reasonably spare them to serve and help them.

The evolutionary changes in the political arena, i.e., from Kingship to modern democracy is reflected in the economic arena, i.e., from the proprietorship to plural executives—corporate bodies.

The existence of mankind is not merely in his economic activities. A profile is built up keeping in view the morale, ethics, honesty and integrity and the appraisal is made accordingly. Thus profitability is no longer the sole objective of the corporate bodies. It is the basket of objectives which serve as parameters in performance appraisal of these corporate personalities.

Of course, such parameters or yardsticks undergo changes keeping pace with the modern scientific and technological changes with innovations. The evil effects of the industrial civilization by charging the environment by producing the toxic substances for consumption have endangered the existence of the living beings. Better production and better productivity can no longer serve the society which is bereft of social consequences—the quality of life.



It is in this perspective an attempt has been made to study the prospect of **Social Audit of Corporate Bodies**. Audit as in common parlance refers to statutory audit under the Companies Act, 1956 under sections 209-233B (Accounts & Audit) which inter alia means *A+L+E+A+O+C = T & F : A = Authority, L = Legality, E = Existence, A = Accuracy, O = Ownership, C = Continuing, T & F – True & Fair. But it is often said that what we know is little and the unknown is vast. The Statutory Audit does not cover such vast area which is of chequered nature.

SOCIAL AUDIT approaches to signify the letters constituting the words 'SOCIAL' 'AUDIT' as not merely a post mortem analysis but a positive approach towards.

- S – Supplementing statutory audit by scrutinising the safety (food, ecology, pollution, etc.), security and services (commodities, corrupt free professional skill, etc)
- O – Offered to the Community and
- C – Conserve the resources and
- I – Investigate (industrial sickness) the
- A – Activities & actuating the
- L – Limited liable corporate bodies
- A – Analysing the activities with reference to its authenticity and
- U – Unearthing the Unfair and Universalising the
- D – Defects and disadvantages and
- I – Installing the
- T – Truth

Corporate bodies are replica of democratic productive institutions. These are privileged in utilising the scarce resources of the nation and converting them with utility to goods for mass consumption. Thus the owner of the resources—the people are best catered for better quality of life. 'What touches all should be decided by all' — is the guiding principle for successful functioning of democracy.

Imbued with these ideals and realising the role of the corporate body in the national economy for its commitment to the society, Tata Steel

* Mr. J. Santocki : Case Studies in Auditing (P-25)

An Insight into Auditing—a multidimensional approach, Dr. B. K. Basu (Page 13.1)



instituted social audit to evaluate how far the company had been able to fulfil its social and moral responsibilities. It published TISCARE—'if the ideals of the founder were the seeds of Tata Steel's conscience, Tiscare is its glorious fruition'.

The objective is to effect a transformation in the life of the community through a programme embracing family planning, small savings, educational training, cultural programmes, sports, training, social integration, good housekeeping, sustaining pollution free environment and ecological balance. These are aimed towards better production and productivity for economic development.

J.R.D. Tata says "The wealth generation of Jamsedji Tata and his sons in half a century of industrial pioneering formed but a minute fraction of the amount by which they enriched the nation. The whole of that wealth is held in trust for the people and exclusively for their benefit. The cycle is thus complete, what came from the people has gone back to the people many times over".

A questionnaire has been prepared for the study on social audit of corporate bodies and the same was mailed to about 100 persons representing industries, academics, professionals and even labour unionists within the country and outside the country.

About 15% response have been received. The non-response from the industries reflects the indifference not to talk of apathetic attitude towards such academic studies. Some of the recipients of the questionnaire confessed their inability to furnish the information asked for in the questionnaire in view of the fact that he is not concerned. The methodology adopted in the study may mainly be reckoned at as follows :

- (1) Personal interview with the business magnets of the corporate sector at Calcutta ; and
- (2) Collection of information through questionnaire from different personalities representing different walks of life.

The study has been undertaken on the functioning of the corporate bodies and its impact on the society. The objective of auditing such function is to evaluate the performance & contribution towards welfare of the society thereby discharging responsibilities to the society.

In *Chapter 2*, the role of the corporate body in the economy and the impact of corporate shell has been discussed.



In *Chapter 3* efforts have been made to highlight the weaknesses occurring perpetually and appearing in the surface as corporate maladies.

In *Chapter 4* the aspect that corporate bodies while venturing on mass production particularly in food production embark upon producing toxic substances has been dealt with. This questions the existence of living beings including the mankind.

In order to revamp the functioning of the corporate bodies for rising to the expectations of the society, stress has been given on professionalism. It has been noticed that the professionals are now being questioned for their bureaucracy, corruption and predatory practices. This makes the situation critical since they belong to the society but being privileged to manage the state of affairs they become ignominious about social responsibilities which have been dealt with in *Chapter 5*.

The operation of the corporate bodies aggravated the environment and invited imbalance in the ecology. The wantonly use of the material resources leads to the depletion of the wealth thus shifting the consequence of the liability of the bankruptcy to the posterities. *Nature can meet our needs but not our deeds*. The horrors of the situation have been discussed in *Chapter 6*.

Sickness has become a routine affair. A sense of aristocracy in the sickness is being developed at the social cost. Sick corporate bodies are being publicly appreciated by inflow of public money by the decision of public representatives democratically. *Sickness is the AIDS to the corporate bodies*. In *Chapter 7*, the details of sickness, its patronisation and the remedial steps in diagnosis and administering the prescribed medicines for preventing the national wealth from further waste has been dealt with.

There is nothing wrong in calling spade a spade. Strategies often shadowcast one's ingenuity in self appraisal. Correct information without any attempt to window dressing caters towards upholding the truth and establishing the credibility on one's action. This calls for more correct information and a reform in the administration—a glasnost and perestroika in the functioning of corporate bodies. This has been discussed in *Chapter 8*.

In *Chapter 9*, attempts have been made to arrive at conclusions after analysing the information so collected and perceiving the same in the correct perspective. Subsequent published data were not available and as a result the study has been made on the basis of the available data.



Chapter 2

CORPORATE SHELL



Chapter 2

CORPORATE SHELL

The higher needs of the Corporeal being found its excellence in corporate bodies socially, economically and politically. Corporate and economic legislations emblazone the checks and balances in the process of fostering growth so as to make the economy of the country a self reliant one. The physical efficiency of a human being devoid of moral and ethical values which often remain unguarded by any legislative measures, projects to be a monster. Corporate bodies responsible for contributing to the social well being by ensuring economic welfare loose the right to exist unless it caters to the PUBLICS (different segments of the society). Thus the creatures of the Companies Act, 1956 are not merely accountable financially but also socially. The Statutory Audit satisfies the growth of the corporate body within the framework of the Economic Legislations. But there is hardly adequate tool to measure the performance and justification of the continuance of the corporate body in the socio-economic concept. What is codified is very limited. The vast area remains uncoded where may be the source of values and elixir, for a significant, meaningful and prosperous life.

In this study, the impact of the corporate bodies in its socio-economic perspective and the evaluation of this performance towards contribution to the human civilization and the development of parameters would form the subject-matter.

Etymologically, 'Company' is derived from the Latin word 'com' means — together with, 'panis' — bread, thereby meaning a number of persons united for business or commerce or bread sharer.

A company is a corporate body and a legal person having status and personality distinct and separate from that of the members constituting it. Since the persons composing it are made into one body by incorporating it according to the law of the land and clothing it with legal personality so as to constitute an artificial juridical person and so turn into a corporation, it is also called a body corporate. The Latin term 'corpus' means a body. Thus the legal person enjoys many rights and incurs many liabilities like natural person — a human being.

Artificial Juridical Person

The Companies Act, 1956 defines a company—'company means a company formed and registered under the Act'. In common law, it is a 'legal



person' or 'legal entity' separate from and capable of surviving beyond the lives of its members.

The objective of creating a company is not mere legal institution. Rather, it is a legal device for the attainment of social and economic end. It has perpetual succession acting as an individual particularly of taking and granting property, contracting obligations and of suing and being sued, of enjoying privileges and immunities and of exercising a variety of political rights more or less extensive according to the design of the institution or the powers upon it either at the time of its creation or subsequently during its existence.

Thus, it is an artificial citizen. When rights imply duties, it enjoys civil rights and it has the duties in the form of accountability. *It is obvious that the functions of the artificial body are discharged through natural persons.* The natural persons thus entrusted with the task of continuity and achieving social and economic objectives are not free from the bias of the human traits and as such the style, the outlook and the frame of their mind is bound to be reflected. The motivating factors in making a man working are found to be present. The political affiliation is bound to influence. Political liberty without economic equality is a myth. The business centres are the workshops for economic activities. Political theoreticians started searching coincidence of political and economic power in the corporate bodies where they can excel in the matter of magnifying themselves toiling for meeting the social ends and identifying with the virtue of necessity.

Need theory & Corporate hierarchy

Necessity is the mother of invention. The need originates from the feeling of want which gives birth the demand and to satisfy the mass need, corporate bodies come into existence to cater to such needs. An individual has the basic right to enjoy the civil liberties in order to make himself a good citizen. But the question remains — why a man works ? Maslow in his Need theory enunciates that the need in man actuates him for working. Man is a rational animal. He is in constant search for a quality of life. This quality of life depends upon the degree of rationality and higher needs in the hierarchy of needs.



The Pyramidal needs according to MASLOW are :

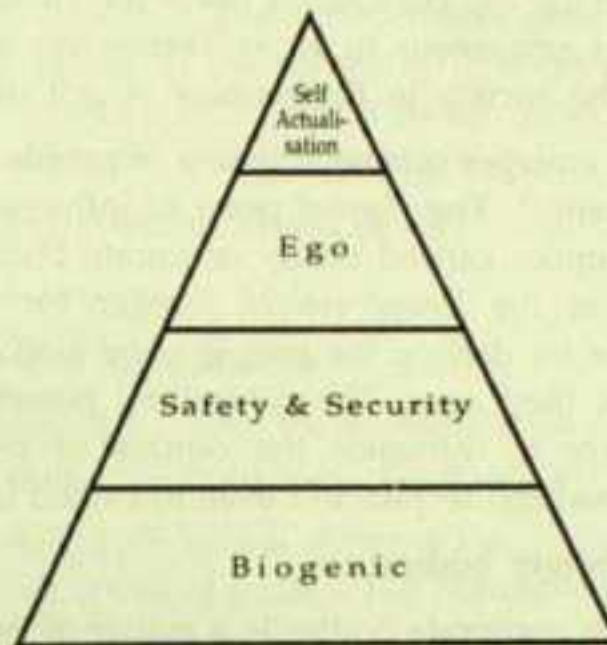


Fig. - 1

Thus it follows :

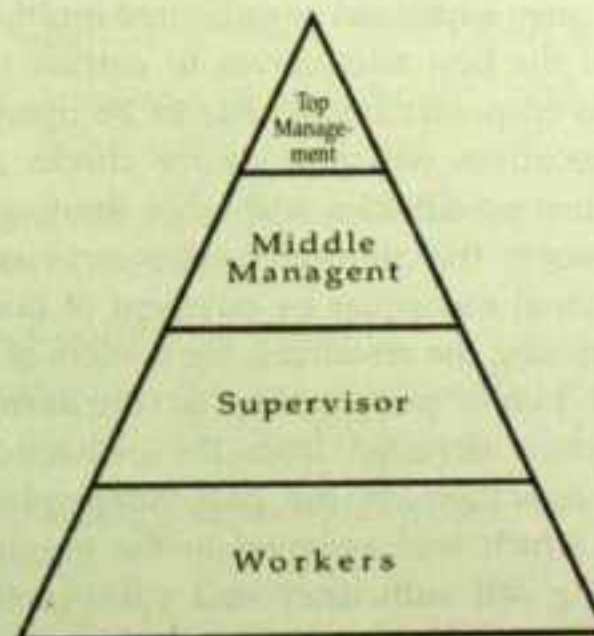


Fig. - 2



The corporate body — an artificial body discharges its functions through natural bodies who belong to obviously of higher needs group but generally less than the top class needs like self actualisation since this group of natural persons endeavour to know themselves and contribute for the development of the society in the process of self development.

It, therefore, emerges that such group of people are in constant search of centres of influence*. The pivotal point of influence may be reckoned at the business economics carried on by corporate bodies. It is believed that with satisfaction of the lower needs, hunger for power emerges as a predominant factor for driving the people to be motivated for identification and satisfaction of their egos. The controlling power of a corporate body assumes the power to influence the centres of power like parliament, government/nationalised sectors and even to extend it to international level.

Role of corporate bodies

The growth of corporate bodies is a matter of necessity. Man does not or cannot create anything. What it actually does is to add utility and subsequently present it with a fashion making 'BEAUTILITY'—Beauty + Utility. The resources are the free gift of nature—which is not niggard. Man converts the resources to a useful means for satisfaction of the existing and created needs which grows and grows with the culmination of civilization since civilization is often expressed as unlimited multiplication of unnecessary necessities. One of the best alternatives to entrust such a gigantic task of mass production to corporate bodies has to be opted keeping in view the fact that plural executives will provide for checks and balances and will restrain the predatory possibilities and other limiting factors in the process of production. Moreover, the corporate bodies serve as a source for providing revenue to the national exchequer by payment of taxes. It is provided with the privileges of utilising the resources, the owners of which are the PUBLIC in general. Again, public participating in the formation of capital with democratic governance divested from the ownership is the essence and uniqueness in its operation. In the post-independence period the crying need was growth which was assigned to the organised sector—corporate bodies for achieving self sufficiency and subsequently a self reliant one.

* Big Business and Govt. The New Disorder—Neville Abraham 1974, The Bowering Press Ltd. Plymouth 17.



The investors, therefore, like to see that their investments are safe and they want to ensure that the annual accounts of the company present a 'true and fair view'. The accounts of the corporate bodies must, therefore, be checked and audited by a duly qualified and independent person who is neither in employment nor an officer of the company. It is compulsory for every company to have its accounts audited by a Chartered Accountant. An audit of accounts is conducted with two fold purpose :

- (a) detection and prevention of errors and
- (b) detection and prevention of fraud.

Corporate Body and Constitution

This is the only safeguard against the misapplication or misappropriation of the money of the public without their knowing anything about it.

The Companies Act, 1956 which governs the corporate bodies seeks to achieve the socialistic pattern of society. The preamble of the Constitution of India states that

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a^{*1} SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC and to secure to all its citizens :

JUSTICE, social, economic and political ;

LIBERTY of thought, expression, belief, faith and worship ;

EQUALITY of status and of opportunity ; and to promote among them all

FRATERNITY assuring the dignity of the individual and the^{*2} unity and integrity of the Nation.

Article 39 of the Constitution states :

39. Certain principles of policy to be followed by the State — The State shall, in particular, direct its policy towards securing—

- (a) that the citizens, men and women equally, have the right to an adequate means of livelihood ;

^{*1} subs. by the Constitution (Forty Second Amendment) Act, 1976 S.2 (w.e.f. 3.1.1977).
The Constitution of India

^{*2} 2.1 *ibid*, The Constitution of India



- (b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good ;
- (c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment ;
- (d) that there is equal pay for equal work for both men and women ;
- (e) that the health and strength of workers, men and women and the tender age of children are not abused and that citizens are not forced by economic necessity to enter avocations unsuited to their age or strength ;
- (f) that children are given opportunities and facilities to develop in a healthy manner and in conditions of freedom and dignity and that childhood and youth are protected against exploitation and against moral and material abandonment*.

It is within this framework the Companies Act, 1956, the Industries (Development & Regulations) Act, 1951 and the Monopoly Restrictive Trade Practices Act, 1969 and several other economic legislations have been passed to uphold the spirit of JUSTICE — social, economic and political in compliance with the provisions of Article 39.

A company is sometimes described as an intricate, centralised, economic administrative structure run by professional managers who hire capital from the investors.

According to Lord Justice James, a corporate body is an association of many persons who contribute money or moneys worth to a common stock and employ it in some trade or business and who share the profit and loss arising therefrom. The common stock so contributed is denoted in money and is the capital of the company. The persons who form it or to whom it belongs are members. The proportion of capital to which each member is entitled is his share.

* Subs. by Constitution (Forty Second Amendment) Act, 1976, S. 7 for Cl : (f) (w.e.f. 3.1.1977).



Objectives of business

The objective of formation of such corporate body would appear to be the profit which on the one hand will provide further capital and also dividend as an incentive. The operation of the corporate body is assessed in terms of generation of growth and is often expressed in terms of profit. So profit is not merely a monetary phenomenon in the process of growth of wealth. Profit can be termed as an efficient factor of corporate functioning. There is, however, a scope to debate with regard to the quantum of such profit. And the question of limit of such concept poses problem too.

The quest for efficiency and the popular image of businessmen fits the profit motive. Tough, shrewd and uncompromising businessmen allegedly direct all efforts to the only goal of increasing personal and corporate wealth in the shortest possible time. Such businessmen are thought to believe in competition because they are passionately concerned with increasing shareholders' dividends and capital. Top priority is paid to behaviour of key financial ratios, such as the rate of return on capital employed, rate of growth of net profits, the number of times the share price is currently equivalent to annual profits. If the company is trying to grow fast and protect itself from being taken over then a lot of attention is paid to capital structure, borrowing requirements and cash flow which if properly managed could help to place it in a better position to take over other under-utilised or undervalued undertakings.

Business horizon is covered with risks and uncertainties. Profit is thought to be regarded as reward for risk taking. Business tries to cope with uncertainty by fast growth and diversification often at the expense of profits. On the other hand efficiency presumes a time horizon and if profit maximisation is the top priority this can best be achieved by contraction and not expansion. Big business again ends to eschew individual perfection. Efficiency in business can often be measured by other than financial terms also. Sometimes costs are identifiable and publicised in respect of services than those of business organisations. To a taxpayer or citizen that of course means little since he is in no position to judge what value he is getting for his money.

It is indeed a critical proposition. Profit is a must for the survival of the business. But profit maximisation or profit optimisation cannot be the sole objective of a business. In that case, pick-pocketing or cheating would have been a business.



In modern business concept it may be examined that business has not a sole objective because the corporate body has to play its role in the National and International premises within the ambit of the commitments and promises enshrined in the Constitution. Hence, it is not a single objective but BASKET of objectives.

According to Prof. Drucker, objectives are essential in all key areas where performance and results directly contribute to the growth and survival of the business for enabling managers to

- (i) organise and explain the whole range of business phenomena by such objectives ;
- (ii) verify the objectives in actual business operations ;
- (iii) predict employee behaviour ;
- (iv) vouchsafe the soundness of decisions ; and
- (v) improve their performance.

Prof. Drucker identified the key areas where the basket of objectives are necessary for improving performance and results of the business. These are

- (i) Market Standing—creating demands, diversification and expansion,
- (ii) Innovations,
- (iii) Productivity,
- (iv) Physical and Financial resources,
- (v) Profitability,
- (vi) Managerial Performance and Development,
- (vii) Worker's performance, behaviour and attitude, and
- (viii) Public Responsibility.

The operation of the corporate bodies is manifested through decision making affecting lives of the people—functioning of artificial beings influencing natural beings. Conclusion emerges towards a good or bad decision while the desideratum is always an efficient management—a plural executives, the notion is enshrined in Acts of Parliament and embodied in job specifications, Company objectives and Government Reports. It becomes a quiz to decide



efficiency or inefficiency of the corporate management irrespective of the scale or size of the unit, time horizon and actual measure used. This may be explained as follows :

We often say good management or bad management. But management is a decision making process involving the future lives of people*.

What is efficient or inefficient is by no means self-evident.

(A) Units of Enterprise

1. The individual employee
2. Groups of workers
3. The company
4. A group of companies
5. A national company or a nationalised corporation
6. A multi-national corporation
7. A nation-state
8. A federation of nation-states

(A ninth, the world economy as a whole, follows automatically from this progression. A tendency is emerging for one group of producing states to negotiate with another group of consuming states ; and if three or four trading blocks negotiate for resources then bargaining takes place on a world scale).

(B) Time Horizon

These vary from the momentary to a number of decades but for practical purposes the most commonly used are :

1. Up to one week
2. One week to one month
3. Three months
4. One year
5. Five years
6. Ten to fifteen years

* Big Business & Govt. The New Disorder—by Neville Abraham—The Bowering Press Ltd., Plymouth (pp. 102-104)



Most people are still paid by the hour every week and the very short timescale is easily the most frequently used. However company and government report is calendarised ; and pressures for lengthening planning horizons beyond this.

(C) Measures

1. Revenue minus cost
2. Growth of revenue
3. Cost or cost plus
4. Output (in tons, miles, hours)
5. Output relative to input
6. Other measures (job creation, market share, technological leadership)

Thus we may guess the objectives of a financial holding company (A)4, (B)3, 4, (C)1, 2 while a freelance journalist's goals are matched (A)1, (B)2, (C)1, 4 — to continue working freelance up to one month ahead and to maximise net revenue per 100 words.

The 'efficiency' of one entity ought, therefore, to be seen in terms of its social, political relationship to other entities, and to the time horizons and specific measures considered more important than others. Since many of these are ultimately questions of choice, they affect both managers and politicians.

There is sometimes conflict within the corporation or between the corporation and Government on this count about efficiency and objectives. The modern concept emphasises management by objectives. It is the conflict between freedom of action of the constituent units and necessary constraints imposed by higher authority and one from which managers, politicians and civil servants cannot escape.

It must be remembered that for obtaining a corporate capacity special processes are necessary and that a corporate existence is a privilege and not a right.

Responsiveness of business

Apart from the aspect of centre of influence — a political gimmick, one has to frame the issues giving rise to accountability for enjoying the privileges for delivering goods and services. The process of accountability is an integral part of getting things done so as to find out the gap between what is done and what is required. The question of use and abuse of power also arises. The study of economics and finance generally ignores this power



and organisational influence. The public interest rests in fostering competition. For every economic power a countervailing centre of power develops in response and that the confrontation of the two will tend to function in the public interest.

Enjoyment of privileges is presented in the form of accounts and accountability or answerability is considered expedient to make one behave responsive. So accountability goes hand in hand with responsibility. It implies the controlled disclosure of facts and information. Its main purpose is to maintain control and its effectiveness depends on relevance of information. Information and communication are the tools of control and those who are near the source and their motive will influence it.

Corporate bodies identify their accountability either internal or external. Task, region, function, etc., may construe to be internal. Financial accountability is easy to express but it is more difficult to devise systems of accountability to check non-financial progress. Efficiency or effectiveness in terms of social performance and behaviour are not as easily or universally understood as money, indeed financial influence in business and Government is much greater than any other and dominates accountability requirements.

With regard to the external factor of accountability there is scope of interaction with the corporation. These may also be termed as PUBLICS

- (i) the State under the laws of which the corporate body is created ;
- (ii) its members usually known as shareholders with whose fund it started its life ;
- (iii) its customers to whom it provides goods and services ;
- (iv) its employees who associate their lives with it in varying capacities over different periods of time ; and
- (v) the community whose well being is affected by the activities of the corporate body.

The business scenario as portrayed by the corporate bodies in the national economy has underwent a radical change. It is not looked upon traditionally as producer of goods and services alone, at all times. Business has been expected to operate within the law and within prevailing norms as well as to engage in a moderate amount of philanthropic activity. A society which business had shaped had gone awry. There is a commitment, it has been felt, to solve problems which are external to business with which business had little direct experience. Good community relations are seen as important both from a social and a business point of view. Concern with the quality of work life is growing.



The accountability/responsiveness of the functioning of business of corporate bodies may be shown as follows :

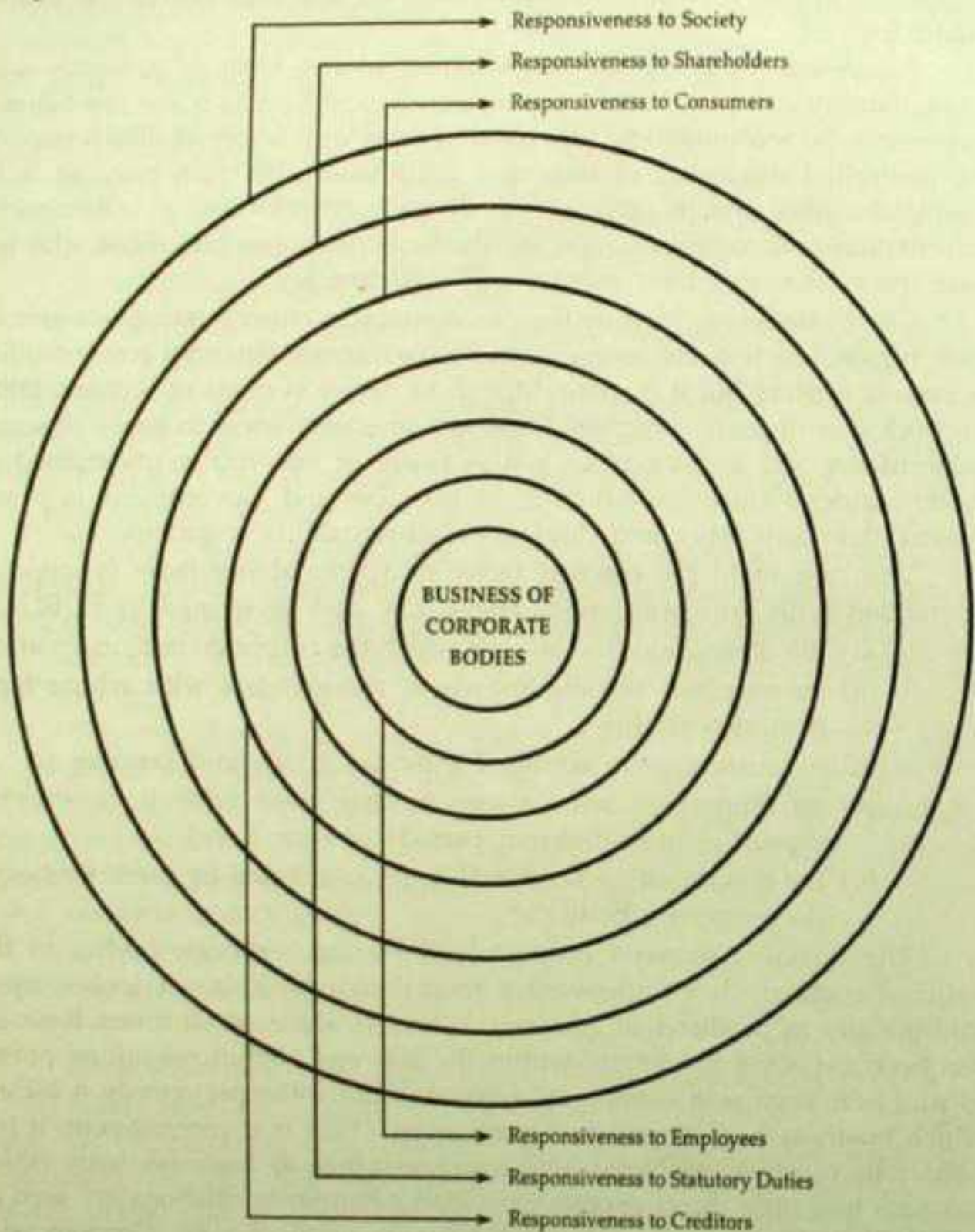


Fig. - 3



In the post-independence period, the emphasis was on mass production through industrialisation and to foster growth and this has assigned an important role to the corporate sector which is organised (See Appendix iv). It is a rebellion against measuring progress predominantly in economic and technical terms. Specific manifestations are the development of social indicators for measuring the performance of the society as a whole and the development of technology assessment in its probable social consequences rather than limiting the evaluation to more conventional technical and economic criteria.

Business exists to serve society. It is an element of the society. It has the right to grow and enjoy privileges and its future will depend on the quality of its head and hearts response to the changing expectations of the public. This provides for the arena of social audit while the financial audit limits its domain of examining the financial progress only as prescribed under the Statute.

An aspect of the agenda for humanizing society which could be adaptive in a world where resources are limited in supply prevails. It is a call for rationalisation of society in human terms which demand skill, knowledge, discipline, character. The industrialised civilization has prodigalities in itself and sometimes it has imponderables. It is in this perspective, social audit is considered expedient.

Need for Social Audit

Mere examination of books of accounts with supported vouchers and documents is not sufficient to meet the growing needs of the society. The changing socio-economic condition expects modern tools and techniques to outlive the old traditional/historical audit. Auditors are to push pencil as well as pushing the brain for achieving a humanised society and for evaluation of social needs of the corporate body. The role of corporate sector on the national sector needs no emphasis. The social objectives are emblazoned and a social audit compares and makes crystal clear the confusion or contradiction, if any, in the corporate functioning in the national premises by protecting the shareholders, stopping capital erosion, production of quality goods at a reduced price, control of inflationary trend and overall improvement of the standard of living of the common people.

These objectives are achieved by increasing productivity, development of resources, value analysis, distribution of benefit among consumers,



employment generation, cost consciousness in public and private sector undertakings, discontinuance of uneconomic product line, guarding against tax evasion, price fixation and price control, foreign exchange earning, etc.

The shareholder is the main focus for external company accountability in law. Preparation of annual return, profit and loss account and balance sheet, reports by directors and independent auditor must be sent to the Registrar of Companies.

The degree of such responsibility varies with private or public sector undertakings. A critical examination will reveal that the shareholders' right is a hollow one. The board decides and the shareholders endorse. No question of seeking mandate. So the self selection of the board does ensure its commitment to whatever objectives the enterprise pursues.

Constraints like lack of understanding, development of specialisation and feeling of resentment are those who originate information. Praise is a scarce commodity while blame is in abundant supply. A gulf of difference between responsibility and knowledge is created. Accountability to shareholders is not extended to customers or suppliers or the rest of the community. Legislations have been made so as to make behaving the corporate body responsive but paradoxically charges multiply that business is not publicly accountable.

Market segmentation has been institutionalised. Consumer sovereignty no longer exists. It is not that 'CAVEAT EMPTOR' which has gone for ever with the Act of Government but it remains in regulated environment since consumers are ignorant, weak, uninformed, disorganised and indifferent.

Again, there is no formal system of accountability with regard to the society at large. It is obvious that any noise or fumes from the car are hardly likely to bother its occupants ; the effect is directly on the people. If industry is successful in lobbying and persuading Government to act in favour of corporate interest then the risks that community interests will be sacrificed are greater.

Analytically, employees expect better salary/wages for better standard of living with better facilities and working conditions having welfare measures ensuring safety and security with provision for development, education, training, placement for himself, members of the family so that better productivity is made certain.

Government expects industrial peace with better income by taxation and regular payment, more employment opportunities. Creditors expect



better interest and timely payment. Shareholders expect better return and timely payment without strike or closure.

Consumers expect regular supply of right material at a right price at a right time and a right quantity with right quality. Suppliers expect regular payment for right delivery and a better buyer vendor relationship.

Society at large expects development of the area, more employment facilities, development of the infrastructural facilities by way of hospitals, schools, colleges, transport, roadways, parks and pollution free environment.

Sometimes these expectations are contradictory and non-financial too.

Again the cost aspect cannot be lost sight of which is an element in pricing too. * When pollution control equipment has been added to old process, the capital cost is identifiable. But when new processes are designed which do not pollute, it is impossible to assess the cost of pollution control. The question, therefore, arises if the process is more efficient and pollution control is, therefore, profitable, should the corporate body be assigned a responsibility debit? The same logic applies to a design of safety into a plant or of aesthetic which increases employees' gratification with their job. There is no way of isolating "social cost". This approach will muddle as much as it clarifies. Activities associated with social demands have initial appearance of costing money though they eventually may not. The expense may be rationalised in long term profitability. A high-tech company subsidises the college education of engineers which buys the business a certain amount of good public relations—demonstrating a good faith, effort in complying with the spirit of equal employment opportunity.

No business investment pays off instantly unless the benefit appears in the same accounting period as the expense or unless the expense is capitalised and carried forward into subsequent accounting periods in anticipation of future benefits it appears on the books as a cost. When benefits are anticipated then whether the expense is seen as a cost or an investment is arbitrary. Conservative economist like Milton Friedman argues against propriety of business expenses that do not contribute to profitability. Once the notion of long range profitability is introduced, only paucity of imagination and short time horizon limits justification with no direct, immediate business benefit.

* Corporate Social Responsiveness : The Modern Dilemma by Robert Ackerman Raymond Bauer, Reston Publishing Company, Inc. Riston, Virginia. (p. 8)



Again with the passage of time, the interference of the national socialist democratic government provides berth for conformists with the mandate as well as voluntary or discretionary performer. It should be borne in mind that there is a zone of discretion when it relates to social responsiveness to corporate strategy where social audit penetrates and the discretion gradually diminishes over time with necessary enactment in this behalf. Discretion never becomes zero and is never complete or absent. Semantically Social Responsibility is loaded with notions of intent, goodwill, sacrifice and voluntary initiative. This makes the corporate strategy philanthropic towards an enlightened and humane society.

The Sachar Committee* in its report on Companies Act, 1956, Monopoly Restrictive Trade Practices Act, 1959 observed : "The resources and manpower as well as raw material which the corporate sector has necessarily to employ inevitably cast a responsibility on it to see that the balance between the need of the company and the requirements of the society are maintained at even level. The present financial information is meant to process together and report financial result and other statistics. It does not concern itself with the social performance information—an aspect of acceptance of social responsibility of the company to the society. Some of the organisations abroad have even evaluated the corporations with respect to their contributions to social responsibility tests like environment, consumers' health, well being and safety, and employment of minority, backward and women personnel. Various names have been given to this social information like socio-economic accounting, social accounting, socially responsible accounting, but most prevalent word for all the social information which is now accepted is 'Social Audit'."

According to Henry Ford II, 'There is no longer anything to reconcile, if there ever was, between the social conscience and the profit motive.

Impersonally the quality of society—investing in better employees and customers for tomorrow—is nothing more than another step in the evolutionary process of taking a more far sighted view of investment.'

* A study Report on Sachar Committee on Companies & MRTP Acts, Centre for Legal Studies, Delhi (p. 118)



Chapter 3

MALAISE OF THE CORPORATE BODIES



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The socio-political scenario witnessed a radical change from kingship to the present form of democracy. The same reflection is evident in the socio-economic scenario where it is evident that the change took place from sole entrepreneurship-proprietory, to the present democratic form of corporate bodies. 'What touches all should be decided by all', the shareholders decide the fate of the economy of the country.

Fortune does not travel alone. Misfortunes also follow. The contributions of the corporate bodies is not always conducive to the society. The crisis of the civilisation deepens. The functions of the corporate bodies aggravate and question the very existence of the corporeal being and tend to grow bereft of moral and ethical values. In its wake of mass production and better consumerism it allows its personnel to grow faster than the society at a great social cost.

The caravan of civilization has witnessed the growth of individual self with Group, Society and the State having the power centre at the Government level formed and stabilised from time to time. So there is a chequered career in the form of Government also. It started with kingship championed by Hobbes, Lock progressed and culminated in the democratic form championed by Rousseau.

This gives the knee jerks in the business arena also. A glimpse at the chequered career of the business organisation would reveal that the sole proprietorship progressed and developed into partnership with a few culminated in the corporate bodies with the principle of democratisation. This is not of recent origin. It dates back to old days as well. In Narada Smriti there is a reference to an organisation termed "Sambhuya Samuthanam" a body of persons doing business jointly. So the instinct or habit of working together was known as "Sambhuya Samuthanam". The concept of the liability



of these organisations can be found in the norms prescribed in the *Narada Smriti* which may be enumerated as follows :

1. Due tax was to be paid or else a penalty equal to eight times the tax sought to be avoided was imposable. An inference thus can easily be drawn that the liability to the State on the correct profit was in vogue.
2. The activities of the group had to be confined to the objects with which the organisation was formed. A loss arising out of unwarranted activities was to be borne by the wrong doer.

It is like the *ultra vires* doctrine of company law. So the liability of the management of the corporate body to the members of the group was there.

In the course of evolutionary changes in the matter of governance of the corporate bodies differential liability formulae have been developed reflecting the nature, character, style of functioning although the role playing being emphasised equally for spurting the growth of the economy and generating wealth of the country. This would, of course, appear paradoxical but the fact remains that it withstood the test of time. The incongruities feature well. There is cry for democracy since all who are touched decide all although the fact remains that there is counter cry for rigging, murdering principles of democracy.

Again, the judiciary system which is being threatened by the constant deterioration of quality of justice where the Lordships' integrity and competence is being questioned, there is cry for judicial enquiry whenever there is any hapless but not hopeless occurrence in the public life. The systems are all democratised. The end of justice is not available to the common man for whom the organisation stands. The voter who ultimately chooses the form of Government has practically no say in the matter. The institutionalised approach still goes. Certainly it is not the Institution but the system where defects crop up to widen the wounds like cancer for the premature catastrophe. Of course, Institutions have been called for rendering their services within the society to cater to the needs of the society. Their failure calls for attention to the 'malaise'.

The corporate bodies which is also a social institution is not free from such malaise.



Business management in political democracy

Basically, there is private sector and public sector under the national sector where the corporate undertakings behave differently with conditioned reflex although the same element MAN is in charge of these elements. There is vital difference. It arises primarily because of differences in those who provide the resources and in the kinds of activities the resources pay for. Owners and creditors provide resources to business entities voluntarily such as by investing. They could just as easily invest or lend resource, buy antiques, or give away their fortunes.

But in the public sector the most important provider is the taxpayer and he provides such resources involuntarily. Unlike business enterprises, generally no exchange exists between the entity and the resources providers in the sense that funds are sacrificed to particular goods and services.

While the corporate entity in the private sector is accountable for all its activities affecting the fortunes of the shareholders, the accountability of the corporate entity in the public sector is to the whole nation through the medium of institutions like the parliament, the legislative assemblies, and various bodies created for the purpose, viz., public accounts committees.

The Government formed on the basic principles of Democracy is run by the Cabinet assisted by executives so the corporate business thus formed is run by PLURAL EXECUTIVES—the Board of Directors assisted by Managers. The executives are profoundly affected because their authority is questioned. Their two way relationship with men through whom it is necessary to get things done is changing. The increasing discontent of 'potential partisans' can only mean social conflict. That management is continuously involved with employees, other managers, shareholders, customers and Government shows that the decision making process to suit the strongest partisans or dealing with the source of the trouble by control measure is essentially a political one.

John Morris of Manchester Business School represented his experience of people in such undertakings in the shape of a cone*.

* Big Business and Government The New Disorder by Neville Abraham. The Bowering Press Ltd., Plymouth (p. 97).



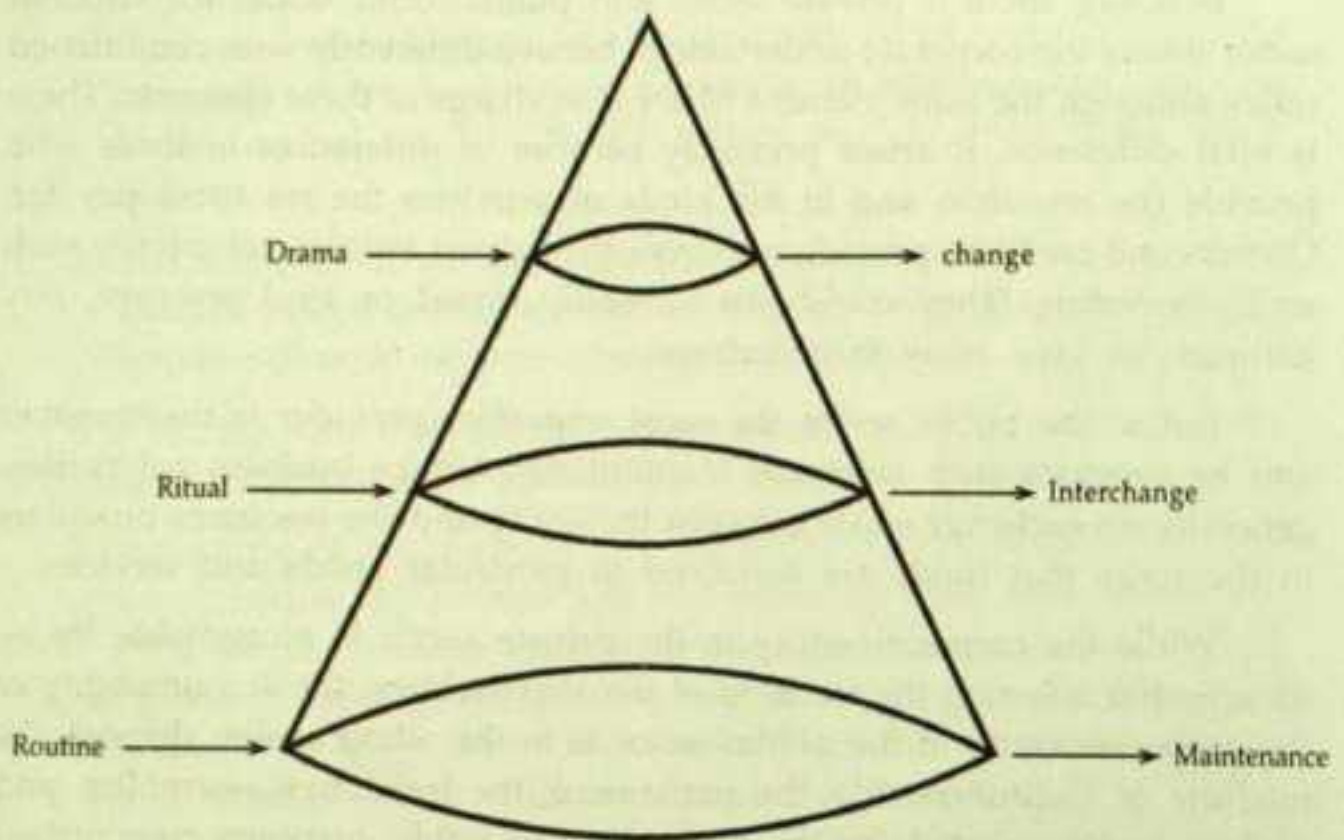


Fig. - 4

Drama describes eventful experiences.

'Man lives by drama, remembers by ritual and survives by routine'.

Many dramas of organisational life are involuntary, painful and tragic. These have uncertain outcomes and inevitable strong feelings and passions.

The board members, committees, management consultants, ministers and executives are dramatists who exploit the apparent and the real to interpret reality, creatively and recreate for participants. The fools in the Elizabethan plays are not only the fools but real life commentators.

Bagehot describes : 'An opposition in coming to power, is often like to speculative merchant whose bills become due. Ministers have to make good their promises and they find a difficulty in so doing. They have said the state of things is so and so and if you give us the power we will do



thus and thus ... And the end always is that a middle course is devised which looks as much as possible like what was suggested in opposition but which is as much as possible what patent facts—facts which live in the office so teasing and unceasing are they—prove ought to be done. Managers are accountable for the future performance in respect of the promises within a risky and uncertain premises where political style and interaction and interrelation with Government can narrow the gap between the promise and performance. The immediacy of news transmission and its obsession with instantaneity encourage the politicians to talk about changes in industry and the economy as if they could all take place in a matter of days or weeks'.

The dilemma for managers, like politicians is to try to satisfy or alter expectations in a rapidly changing environment ; but less and less will be achieved unless the main centres of influence are more prepared to terms with change. A high level interaction between the managed and the managers can be expected, accompanied by greater conflict and internal strain.

It is often said "Those who know do not say ; those who say do not know".

The pluralistic society witnessed pressure environment in trade unions, management associations, capital market and the news media.

On a national economic policy trade unions foster pressures on national organisations for evolving government policy but when it is a particular issue which is troublesome, inter-union rivalry arrangement between the undertaking and the single union and the conflict provide, hardly any means for a solution. The leader is bereft of ethics or morale and make fortune at the cost of its members and at a social cost. In contrast to trade union practices, management associations appear content to reflect the inherently conservative philosophy of business and work to maintain status quo.

It is obvious that the private corporate sector provides capital for industrialisation and fosters growth not for its own sake but for the public corporate sector also.

The media have social as well as commercial objectives. The Fourth Estate is held up as an implacable opposition to the ruling parties, the bureaucracies and the judiciary. The question is whether to act as a mirror in society or to make value judgement continuously thereby pushing the 'bad' rather than 'good'.



In the post-independence period, the growth of the population together with the migrated population posed a problem to the national government for feeding the millions and providing them with the basic necessities for keeping the body and soul together. No national government can discharge its functions as a mere spectator. Thus the corporate undertakings with the framework of mixed economy have been assigned this vital task and with the passage of time more and more corporate undertakings started emerging with emergence of giant public sector undertakings in compliance with the commitments enshrined in the Constitution. The traits of man are inherent and found their manifestation in the administration of the corporate undertakings. *Problems while become chronic appeared as malaise.* The physical efficiency of a man devoid of moral or ethical values tends to make one irreconcilable and inhumane. Some moral or ethical control becomes expedient. The corporate management also deserve such basic needs. The greater the number of undertakings the more and more checks and balances are necessary.

As the population grows so also grows the variety of diseases calling for the impending necessity of preventive measures for the same which is recognised to be better than cure.

The character, nature and extent of corporate malaise, therefore, presupposes a discussion on the magnitude of the size and area of the economy where these undertakings have been summoned to cover.

*The Central Government in its general annual report on the working and administration of Companies Act prepared in accordance with the provision of section 638 reviews the corporate sector—its growth in terms of registration and liquidation of companies as well as the checks enforced on mismanagement by the Government on cost audit. Following is the exposition relating to the period from 1.4.88 to 31.3.89.

Review of Corporate Sector

Companies registered during the year 1988-89 were 21,877 of which 27 were Government companies. The companies with limited liability by shares registered 21,891 with an authorised capital of 4,795 crores.

* Thirty-Third Annual Report on the Working and Administration of the Companies Act, 1956—a brief report compiled by Mr. Divya Tandon Published in the Chartered Secretary, Sept., 1990 (p. 789)



TABLE — 1
COMPANIES REGISTERED DURING 1988-89

Type	Govt. Cos.		Non-Govt. Cos.		Total	
	No.	Auth. Cap (Cr Rs.)	No.	Auth. Cap (Cr Rs.)	No.	Auth. Cap (Cr Rs.)
<u>Ltd. by share</u>						
(i) Public Ltd.	12	1,383.2	1,087	661.6	1,099	2,044.8
(i) Priv. Ltd.	15	1,082.2	20,777	1,668.1	20,792	2,750.3
Total	27	2,465.4	21,864	2,329.7	21,891	4,795.1
<u>Unlimited Liability</u>						
Liability Ltd. by guarantee & Assn. not for profit			10		10	
			76		76	
Total	27		21,950		21,977	

TABLE — 2
COMPANIES AT WORK AS ON 31.3.89

Type of company	No. of Cos.	Paid up Capital (Rs. crores)
I. Companies Limited by shares		
(a) Government Companies		
Public Limited	533	1,33,104
Private Limited	601	2,72,964
	1,134	4,06,068
(b) Non-Government Companies		
Public Limited	19,013	88,286
Private Limited	1,57,091	28,515
	1,76,104	1,16,801



Total	(i)	1,77,238	52,286.9
	(ii) Companies with unlimited liability	319	
	(iii) Companies Ltd. by guarantee and Association not for profit	1,954	
	(iv) Foreign Cos. (as defined under Sec. 591 of the Companies Act.	420	
Total		1,79,931	

So there were in all 1,79,931 companies at work as on 31.3.89. Regionwise distribution of companies as registered during the year 1988-89 is as follows :

TABLE — 3

Region	Public	Private	Total
North	374	7,118	7,492
East	296	3,194	3,490
West	184	6,495	6,679
South	245	3,985	4,230

It may be seen that the private limited companies have grown at a faster rate as compared to the public limited companies. But the paid up capital of public limited companies have grown at a much faster pace than that of private limited companies. So the companies limited by shares have recorded a phenomenal growth, the number increasing over 6 times from 29,357 at the end of 1956-57 to 17,71,238 at the end of 1988-89 and the paid up capital increased over 48.5 times from Rs. 1,078 crores to Rs. 52,287 crores. The growth of Government companies was observed to be much faster than that of non-Government companies according to the paid up capital.

Sizewise, the largest number of companies in non-Government were registered in the size group of "Rs. 5 lakhs to 10 lakhs, the next group of Rs. 1-5 lakhs followed by the Rs. 10-25 lakhs."



199 non-Government companies were struck off due to liquidation or otherwise.

An amount of Rs. 1,389.4 crores was reported to have been raised by the non-Government companies in the year 1987-88.

A net of 1,76,104 non-Government companies were at work in the country—19,013 public limited and 1,57,051 private limited.

178 non-government non-financial public limited companies delivered to the Registrar copies of prospectus under section 60 of the Act for raising Rs. 1,663 crores.

Complaints received during the year 1988-89 in 4,933 cases primarily pertaining to non-payment of public deposits, non-payment of dividends, non-issue of share certificates, non-receipt of dividend warrants, non-registration of transfer of shares, non-receipt of balance sheet and management.

6,724 applications were considered for approval

- (i) for appointment and re-appointment of managing/wholetime director ;
- (ii) remuneration payable to the abovementioned ;
- (iii) permission to waive recovery of excess payment refundable by directors ;
- (iv) increase in maximum number of directors ;
- (v) appointment of relatives of directors who hold office or place of profit under **section 314** ;
- (vi) appointment of Government directors in case of oppression or mismanagement ; and
- (vii) change in provision relating to appointment or managerial persons and directors.



TABLE — 4

PROSECUTIONS FILED FOR DEFAULT

Sections of Companies Act., 1956	Nature of Default	No. of cases during 1988-89
1. 220(3)	Non-filing of Balance Sheet with the Registrar of Companies	4,262
2. 162	Non-filing of annual returns with Registrar	3,418
3. 168	Non-holding of Annual General Meeting	576
4. 210(5)	Non-laying of annual accounts in Annual General Meeting	529
5. 614(A)	Power of the Court directing filing of documents with the Registrar	239
6. 58A	Acceptance of invitation of deposits not in terms of rules	99
7. 551	Non-filing of statements containing information relating to liquidation	38
8. Rule II of Acceptance of deposits	Non-filing of annual returns of deposits	35
9. 234(1)(4)	Non-furnishing of information explanations called for by the Registrar	35

The report states that so far 35 cost accounting record rules covering 52 products manufactured by various classes of companies were notified. 610 cost audit orders under section 233 B(1) were issued during the year. In compliance of such orders during the year and the previous year 415 cost audit reports were submitted by the cost auditors. On the basis of the review of these reports, matters relating to deficiency in the maintenance of cost accounting records, lack of inventory control and under-utilisation of capacity due to controllable causes were taken up with the companies wherever necessary for taking appropriate measures. Reports were also sent to



respective administrative Ministries in respect of issues relating to under-utilisation of capacity and high profitability of individual companies for remedial actions wherever necessary. In all 567 applications for approval of appointment of cost auditors received were processed. 206 companies were liquidated and the total number of liquidated companies as on 31.3.89 was 4,484. While 69 companies were declared defunct and struck off.

It may be recalled that the total plan outlay in the first five-year plan was to the tune of Rs. 2,356 crores as against the total estimated outlay of about Rs. 600,000 crores in the eighth plan period. This increase in total investment was not supported by corresponding increase in production and productivity. As a result, the spiral rise in price due to inflationary pressure on the one hand and the propensity to consume in a developing economy made the people to spend for consumption. Increase in wages is no compensation. Of course, the spending habit make the people to resort to corrupt practices whether in employment or in business. Thus the responsible persons in corporate sector do not behave responsible and also do not establish themselves exemplary before the employees. The desire for more and more pomp and splendour, manifestation of wealth is the sophistication for the display of prestige symbol becomes the corporate culture. The individual objectives subjugated the corporate objectives and the empire building crops up. This is because of the fact that the corporate responsiveness is not made equal to the national responsiveness. All the facets of corrupt practices loom large to engulf the national character. The mosaic of diversity in the national economy and integrity starts to disintegrate with crack. Regional imbalances are gearing up. The economy trails behind providing more scope for immoral, antisocial and corrupt and alcoholic activities.

Impact of corrupt business practice

The corporate body endeavours to remain in business when business of business is the business. The management manages to get business not by establishing the quality but by unfluencing—by means of CONTRIBUTION, presentation or by some other unfair deal which involves cost. This cost is then shifted to the consumers who is charged both in quality and in price. When consumerism becomes the slogan of the modern marketing concept, this is more protected by breach.

Instances of functioning of municipal corporation, public works departments by contractors in road repairing, building construction through tender involving influencing politically and payment unfairly keeping some margin for subsistence, may be cited when the contractor is on the one hand



compelled to pursue unethical means to finish his job. The result is not far to seek. The faulty construction or repair work lead to the sudden collapse of the construction and potholes on the roadways make it imperative to effectuate accident leading loss of life, wastages, etc. Now if the corporate body functioning as the contractor for the purpose is crowned as efficient in getting the business can we not observe that business means unethical, immoral and illegal activities?

In the name of sales promotion or employees welfare when liberty is given to the business executives to draw money and spend and entertain for alluring the person at the point of power with the motive of getting some favour or not, does it not entail an impact on the working capital with a burden to be shifted ultimately on the consumer?

Again raw materials are purchased not in conformity with the requirement and specification but on fulfilling the personal requirement which results in the inventory involving carrying costs, customer complaint, rejection,—a wasteful exercise at a social cost providing for ego satisfaction.

Thus the faults what could be anticipated were codified and checks and balances were provided by the legislative measures. But the aforesaid defaults which are more in number and where lies the weaknesses of the corporate bodies remain uncoded. Moreover pursuasion of corrupt practices magnified in terms of efficiency devoid of ethics are the malaise of the corporate bodies.

The tragedy lies that a person who has been robbed seeks help by shouting 'robber' while the robber also shouts 'robber'!

The social responsibility is to identify the robber and punish.

Ethics defined

There may be a question—what is ethics?

Ethics is the science of morals. It holds a balance between the forces which disrupt and those which unite. During our evolution towards civilization we consciously or unconsciously developed code of morals. Morale are sets of rules of behaviour, whether for a group at a certain period or in an absolute manner at any time and place. In an absolute manner, morals apparently cover basic objective and perspective ethical concepts valid for all and are based on religious precepts and/or natural laws.

Morals may be social, intuitive and religious. The only measure of good or bad morals is the good of society. But in order to have one ethics which



excludes another there must be a dominant social class and an authority which proclaims and imposes it. A child, for example, instinctively and naturally speaks the truth. Unfortunately it is we ourselves who according to our convenience teach it to tell lies often under the threat of punishment.

Socrates taught ethics

not to wrong anyone

to keep our promise

to respect our parents and masters.

At that time the society appeared to be not so adept as to make it sophisticated, tactful, strategic and efficient to establish right thing wrong and wrong thing right thereby a polluted society. Nietzsche opined—morale were invented by the weak in order to conquer the strong. Power, domination and war are the supreme virtues. Only the strongest and fittest should survive. Socialism and democracy are the weaknesses : the morals of the flock. The Nazi Philosopher proclaims "the world belongs to the oppressors".

But the history has shown us that the society which does not observe a code of ethics and which tolerates corruption will collapse.

Definition of corruption

The Latin word Corruption means breaking down, tearing, resulting in the disintegration of an individual.

Corrupt and bribery find expression in Dante's Divine Comedy—Bribery is where "no" becomes changed to "Yes" for money. 10% of hell is reserved for the corrupt.

* The greed for money and relinquishment of code of ethics motivate people to turn to political radicalism and polarisation of society where 30% of society have a regular well-to-do and glamorous as well as splendourous life carrying the remainder with lack of education, malnutrition, drug addiction, etc.

It may not be incongruous when some believe that men at bottom of Maslow's Need theory will respect ethics.

Corruption in corporate sector finds its manifestation in bribery which is defined as betrayal of trust, improperly influencing the performance of

* Ethics and Corruption in Purchasing by Mr. Herbert L. Stukart. Published in The Materials Manager—Journal of I.M.M—Vol. 10, No. 1. (page 29) 1990



an employee. The nature and extent of corruption varies with the degree of economic development of a country ; poorer the country greater is the corruption.

Peter Baver observes "Under-developed are those countries whose political system is KLEPTOCRACY—robber of the public by the political class". *

It is really amusing to conjecture that the competition of corrupting and being corrupted is increasing in a geometrical progression while the vehicle, i.e., the men belong to a religion which proclaims morals and ethics like 'Satyameva Jayate'.

Corruption is a global phenomenon. PAUL NOACK (Book on Corruption at Zaire ex-Belgian-Congo) identified the following types of bribery

- Removing incriminating documents of acts
- Improper use of official paper and stamps
- Forcing hearings with Ministers
- Letters of recommendations (without foundation)
- Purchasing jobs and trading licences
- Guaranteeing employment
- Taking advantages of prohibited privileges
- Obtaining (unnecessary) foreign travel
- Appearing on the pay roll without working
- Distribution of scarce merchandise
- False invoices
- False profit statements
- Tax evasion
- Obtaining foreign currency from import and export (only paper transaction)
- Fraudulently taking money from the State in various ways.

There is, no doubt, attraction for obscene. The culture which flourishes on the sacrifice, devotion and dedication comes to a halt and follow a downward curve without determination irrespective of any 'ism'.

* Ethics and Corruption in Purchasing by Mr. Herbert L. Stukart. Published in The Materials Manager—Journal of I.M.M—Vol. 10, No. 1. (page 29) 1990



The Newspaper BOSTON GLOBE published on 14.1.84 the following :

MOSCOW—Two Soviet trade officials dealing in technical equipment for electrical power station were executed for "systematically taking big bribes", the official Tass News Agency announced yesterday. The death sentences were the latest move in the anti-corruption drive. The two officials were executed after the Supreme Soviet rejected their appeals for clemency, Tass said (AP).

Black money which runs parallel economy in a developing country gets its foundation through concrete construction of corruption. Control of which could assure within the same budget double the amount of roads, schools, hospitals on the one hand and the consumers could have been provided relief by slashing prices from 2 to 20% according to the nature of manufacturing industries. In the process more job creation and provision for better investment climate could have been made available and the tax evaders would have proclaimed 'Good bye' !

The corporate sector has four mutually interdependent branches, Capitalists, Employees, Clients and the Community each one of which must be satisfied by means of dividends, wages, suitable products and through taxes. With the let loose corruption in the corporate body it makes impossible to increase the wages of honest employees in addition to the flagrant injustice of only the corrupt being able to enjoy an extra income. The amenities of modern life is at the finger tips of the corrupt business executive who finds his assets much beyond proportion of his income which of course with the patronisation of the corporate management by means of planned corruption thereby seeming no difference between Company's or Nation's interest and their personal interest.

Poet Rabindra Nath Tagore in his poem expressed that the wrongdoer and the person who tolerates the wrong are equally guilty. Even then the number of crimes or wrong goes on increasing. This establishes the change in attitude towards moral and ethical standards which portend danger to the society for its peaceful prosperous perpetuity procrastinating the growth of generation.

The publication of defaulters in payment of income tax in the leading newspapers repeatedly naming the corporate bodies does not cast any aspersion or despise on the corporate management or reflect in the fall of share price rather it goes a long way to focus the modern corporate business culture. The malaise is immanent as a social evil.



In this connection, bribery consist of ready cash or a leasing of cars, the leasing contract generally has the same term as the contract made with the person corrupted ; shares and subscriptions of expensive clubs, travel payments, payment of hotel bills (vacations), jewells for the corrupted person's wife or relatives' marriage, and large value presents (cars, T.V. etc.). Of late, sex has become another item in the list of means to corrupt and get favour.

At the outset conscious pricks, but when seasoned, it becomes a routine affair and the corrupted feels that his liability is to his family and friends. The corporate body or the State only exploits by inadequate compensation or taxation and cannot deserve loyalty and finally the politicians divert it to their pockets.

Of course, invitations to lunch, dinner, visits to factories, etc., are customary and acceptable within the norms developed by the corporate culture.

* From the research of the Illinois Institute of Technology the research results are set out in the Table below :

TABLE — 5
ATTENTION OFFERED

(In percentage)

	Offered by Salesmen	Not considered unethical	Accepted now-a-days
Lunches	98%	90%	87%
Propaganda Souvenirs	96%	92%	87%
Dinners	90%	70%	76%
Paid excursions	83%	51%	34%
Tickets (Games, Theatre, etc.)	86%	60%	19%
Drinks	65%	29%	9%
Small household electric appliances	33%	6%	5%
Large appliances, cars, loans, etc.	3%	1%	—

* Ethics & Corruption in Purchasing by Mr. Herbert L. Stukart. Published in Vol. 10, No. 3, I.M.M. in the Materials Manager (p. 31)



The corporate sector provides for satisfiers for the society which justifies its existence as an entity in the society. But its **malaise** always tends to break the chain. Regulative measures say under section 15 of the Industries (Development & Regulation) Act, 1951 provide for investigation if there has been or likely to be fall in volume of production, deterioration in the quality of production or rise in the price for which there seems to be no justification or to conserve the resource of national importance or the management is highly detrimental to the industry.

Such investigation culminates in taking over the management under section 18A of the said Act, by the Government which may also take over without investigation if satisfied that the persons in charge of the industrial undertakings have by reckless investment or creation of encumbrances on assets of the industrial undertakings or by diversion of funds brought about a situation which is likely to affect the production of articles or the undertaking was closed for a period of not less than three months (section 18AA of the IDR Act, '51). Section 18FD provides for selling such undertaking as a running concern or to prepare a scheme for reconstruction after a maximum period of 17 years (initial 5 years with renewal of two years at a time subject to a maximum period of 12 years).

It is an acknowledged fact that dangers are not always apparent and they are in any case extremely difficult to measure. This makes it wrong and risky to imagine that they are not important. Again there is a gap between public rhetoric and actual performance in relation to the general management function and to political responsibility.

It is a peculiar characteristic that corporate management in private sector allows Government intervention since corporate public sector can only run business at a loss. It is often argued that Government and business houses get further intermeshed their mutual need for secrecy and collusion will grow because corporate managers toe the same line as the Government servants with whom they negotiate.

Section 36A of the MRTP Act, 1969 prohibits falsity involved in promoting sale of goods or services as unfair trade practice which *causes injury to the consumer and restricts or eliminates competition.*

Competition in the market economy provides qualitative and quantitative supply of goods at a reasonable price which ensures better consumption and standard of living to the consumers—citizens of the welfare state.



But the competition is distorted by the corporate bodies and to combat it the remedial provisions have been made in sections 21, 22 and 23 of the MRTP Act by preventing concentration of economic power of the Big Business houses/Dominant Undertakings and also in section 31 of the Act by prohibiting Monopolistic Trade Practices to eliminate the unreasonableness and impurities in the market while section 33 deals with prohibition of Restrictive Trade Practices distorting such competition. The provisions under sections 20 to 26 under the MRTP Act have since been amended & omitted.

The Government machinery entrusted to be the custodian of Consumers' Protection for social satisfaction is not above board. Time and again the authorities approach immense problems/malaise either with compliance or blindness.

Such disbelief when attributed the authority to govern itself is brought into question. On the other hand, corporate managers are more and more confused with the interplay of profit oriented philosophy and management by objectives or by exception.

Business and total quality management

The price of such confusion in objectives, responsibility and accountability is impossible to quantify where systems are allowed to grow in poor economic performance with discontent and cynicism. * Neville Abraham described this state of affairs as no men's land with a Govt. by cosmetics.

** Dr. N. G. Chowdhury in his 'Ethics in Business' dwelt on expressions "sound business principles" and "prudent commercial practices". Business as a matter of routine are supposed to keep proper accounts showing a balance sheet, profit & loss statement, distinguishing capital and revenue expenditure. It must take precaution to ensure that there is no window dressing and adequate depreciation has been provided and no dividend is declared out of capital and also ensure that neither the hypertension nor low tension persists in the corporate body to sustain good health. But sound business principles go beyond these and sometimes these cannot be put down in black and white. It covers qualities such as integrity, fair dealing, effective

* Big Business and Govt. The New Disorder by Neville Abraham. The Bowering Press Ltd., Plymouth (p. 185) 1974

** Ethics in Business by Dr. N. G. Chowdhury, Published by Calcutta Management Associations (pp. 21-24) 1988



servicing, absence of bad faith and malpractices in the management. This is a code and ethics that professionally managed socially consumer oriented responsible quality conscious company must value and revere. In other words, this fosters belief in dignity of human resources.

Prudent commercial practices take the sound business principles a step further. It deals primarily with management enlightenment. Management must create the right ambiance for efficient performance of the organisation. It must maintain good and harmonious relation between workers, management, shareholders and the public at large.

These two concepts have been provided under section 233A of the Companies Act in connection with ordering special audit if the Govt. is of the opinion that the company is not managed complying with the sound principles and prudent practice.

Sachar Committee perhaps visualised the role of 'Government by Cosmetics' and recommended that the provisions relating to special audit in section 233A have hardly been made use of and are redundant and should be deleted. But it is gainsaying that prudence and soundness solidifies in social acceptability the degree and extent of which is revealed by social audit.



Chapter 4

PRODUCTION—POISONING THE FOOD—A BIG QUESTION TO HUMAN EXISTENCE



Chapter 4

PRODUCTION—POISONING THE FOOD—A BIG QUESTION TO HUMAN EXISTENCE

Of course, we eat to live and not that we live to eat. But the creative demand is the basis for production and productivity to ensure better standard of living.

The rice, wheat, dal, vegetables, curd, fruit, dessert, we take in our meals. The food faddist prescribes the balanced diet with 2200 calories daily to keep trim and healthy. But along with it we consume daily half a milligram of two of the most widely used toxic pesticides in the country—Dichloro Diphenyl Trichloroethane (DDT) and Benzene Hexachloride (BHC). Not to mention a dash of malathion and endosulfa. This portends danger not to us only but to the babies, the posterities. These pesticides expose to the risk of heart disease, brain, kidney, liver and even cancer. So we are not only slowly poisoning ourselves but jeopardising our future generations. The corporate bodies are engaged in production. One's output is the input of another but its consumption portends the inevitable danger.

Corporate self is selfless as would be apparent from the definition since the individual self(s) constituting it loose its identity although the corporate self has to grow, prosper with maturity with a social self. Thus corporate life contributes for the sustenance of individual life for a better social life. The production and productivity is made keeping in view the requirements of individual life. The substances the life enjoys, the chemical—both organic and inorganic reactions it undergoes and the gaseous envelope where it grows and goes assume to be an important area of study. If the individual life is threatened by the productive units which provide materials—physical, chemical or gaseous for its consumption, the corporate life is placed before the suspicious eyes of the society for an assessment for its future continuance at a social cost which drag the society for a far reaching effect but its repercussion is felt generation after generation. The concept of capital investment and profit maximisation then become of no avail but to cast aspersion on the prodigalities of the industrialised society.



Chemistry of body

Naturally, curious enough, the question arises how life originated? Ancient thoughts provide that life generated spontaneously from non-living objects.

Scientific thoughts could not endorse it. * Louis Pasteur performed some experiments which according to him once and for all sounded the death knell of the idea of spontaneous generation. Pasteur told the French Academy that never will the doctrine of spontaneous generation recover from the mortal blow. It is an orderly sequence from the atom through small molecules and large molecules to a replacing system which is the basis of all forms of life in the history of our planet.

Advances in bio-chemistry have demonstrated the importance of nucleic acids and proteins as the basic units of life.

Bio-chemists thus have arrived at a conclusion that the life must have had a common chemical origin. So it may be viewed that Darwinian evolution of modern Biology can be supplemented by another form of evolution, viz., chemical evolution.

It may be observed that Darwin placed at the root of life a primordial germ from which he conceived that the amazing richness and variety of life now upon the earth's surface might have been deduced. The human imagination would infallibly look beyond the germ and would enquire into the history of genesis.

Biological evolution logically leads to chemical evolution of life on earth. Darwin formulates how "in some warm pond with all sorts of ammonia and phosphatic salts, light, heat, electricity, etc., present that a protein compound was chemically formed ready to undergo still more complex changes".

Analytically, the raw materials for the chemical evolution are found to be deposited in the Sun—composition of which as is available from the solar system is

- (a) Hydrogen
- (b) Oxygen
- (c) Nitrogen
- (d) Carbon

as the most abundant elements apart from helium.

* Chemical evolution of life by Cyril Ponnamperna (Pages 43 to 46) of 'Science Today April 1982 Printed & published for Benett Coleman & Co. Ltd., Bombay-400 067



In order to have the organic compounds some amount of energy is needed. The sources for the energy are also innumerable, viz., ultraviolet light from the sun, electrical discharge, cosmic rays, ionising radiation from radio-active species in the earth's crust or from those dissolved in the ocean and shock waves generated by meteorite impact, etc.

The energy thus helps in putting together the smaller molecules into larger molecules, viz., Proteins and Nucleic acids.

* Cyril Ponnamperuma in his "Chemical evolution of life" projected

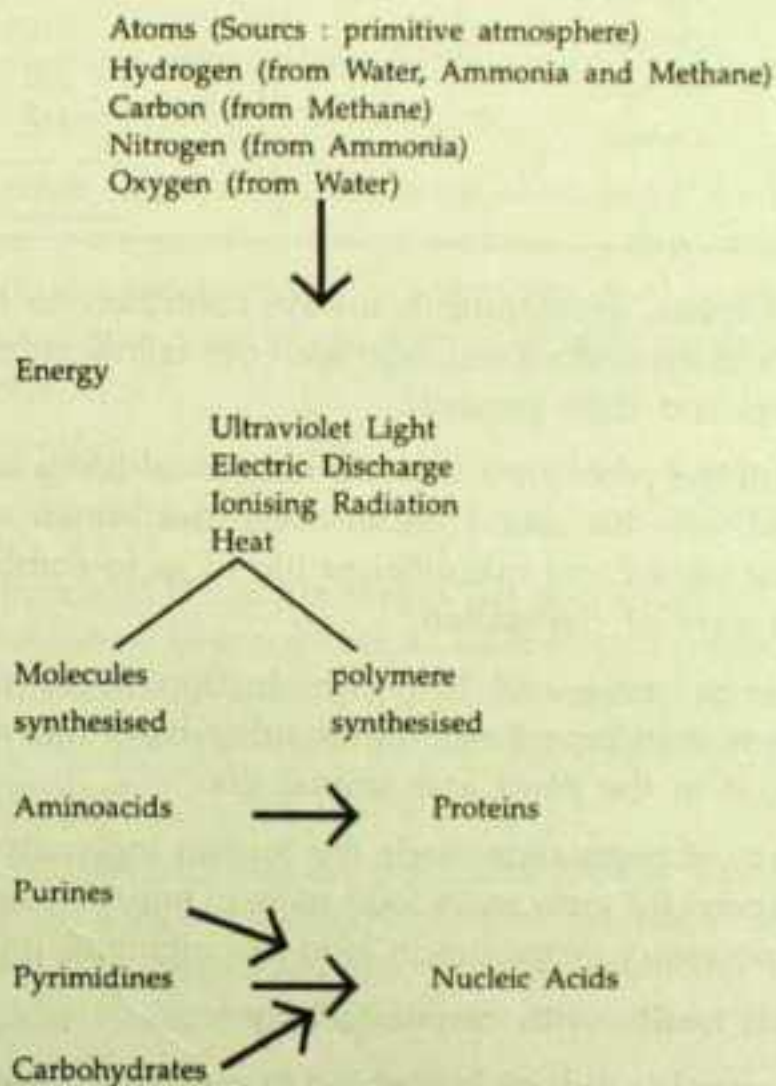


Fig. - 5

- * Chemical evolution of life by Cyril Ponnamperuma what was the Earth like before life began—Published in Science Today April 1982 Vol. 16 No. 4—Benett Coleman & Co. Ltd. Bombay.



Synthesis of organic compounds on the primitive earth

TABLE — 6

Composition of the Sun	
Element	Per Cent
Hydrogen	87.0
Helium	12.9
Oxygen	0.025
Nitrogen	0.02
Carbon	0.01
	<hr/> 99.955 <hr/>

New discoveries, developments always contribute to the unfolding of a magnificent and mysterious universe with our fellow animals, plants, etc., all living objects and their survival.

The crux of the problem is that the individual life is to be maintained with health and with his sound health brain and brawn will be operated for a prosperous varied and magnificent life so as to emblazon the quality of life through ages of civilization.

This calls for more and better production so as to evolve better productivity in human aspect and on the other hand this also calls for the better production in the plant and animal life.

The growth of population made the human ingenuity to ponder over the impending need for grow more food so as to improve the better standard of living with necessary properties in food like vitamins, proteins, acids, etc.

Individual health with corporate help

The corporate life did not lag behind to cater to the needs of individual life with the individual ingenuity to grow more food. In this campaign of grow more food to meet the crying demand of the millions the question of mass production was the pivot. The constraints of insects, shrubs infertility, conversion of non-arable land to arable one, breeding and development of animal life to provide for animal protein and also to provide more vegetables—plant life free from insects had to be reckoned. As a result the



corporate life started producing pesticides with the objectives for better ROI—return on investment, more production, more sales, better wages for employees, better price, better dividend which can be accommodated with better profit.

The objective of better production for better consumption is achieved, no doubt. But the question arises about its reaction. Every action has got its similar and opposite reaction. That is not far to seek. The result is impending.

The physicians prescribe balanced diet so as to maintain the physique properly and to sustain the human efficiency.

As a matter of fact, the normal meal of an individual include—rice, chapati, dal, vegetables, salad, tomatoes with carrot and cucumber. In order to add glamour to the lunch or dinner sometimes curd or sweet and a fruit dessert, a banana or an orange is provided. The ideal figure of 2200 calories daily is taken care of.

No national government can allow its people to starve while it strives for the ideal calorific valued food to its people to honour better productivity.

The introduction of Minimum Wages Act was legislated so that at least the body and soul can be kept together as otherwise the corporate life which provides shelter to the individual life in employment has no right to exist with the social life. The standard of life depends on the capacity and propensity to consume.

It is, therefore, obvious that the pesticides used as a producing means, the individual along with a wholesome meal about half a milligram of two most widely used toxic pesticides, viz., Dichloro Diphenyl Trichloroethane (DDT) and Benzene Hexachloride (BHC) are consumed.

No doubt these are pernicious for the health and hard to stomach. This aggravates not only the adults whose resistance power of immunity is more but also the babies the future of the country and the next generation to carry the pride of achievements and the follies of the predecessors.

So the chapati, rice, dal, vegetables, meat, fruit and even milk now pose a threat not to us but to the babies too.



* Survey was conducted and it was shown that Indians are daily eating food laced with some of the highest amounts of toxic pesticides residues found in the world. This obviously exposes them to the risk of heart disease, brain, kidney and liver damage and even cancer.

The babies suckle the breast milk where pesticides are deposited as it could be detected in cows and buffalos. The results of the studies revealing these aspects are frightening.

Baby foods often are found in a ready made way in modern merchandised concept of modern marketing which too are often found contaminated.

In the opinion of Dr. K. N. Mehrotra, President, Society of Pesticide Science India, New Delhi, "We are not only slowly poisoning ourselves but jeopardising our future generations too".

For the mass of Indians, the threat from imbibing small doses of pesticides in their daily bread is more difficult to quantify. These pesticides poison the body slowly. Most of them are made by rearranging atoms of various elements like carbon, hydrogen and chloride into toxic molecules. These usually attack the nervous systems of the pests, first paralysing and then killing them.

This can be very simply illustrated. A question, why human beings while working get tired or fatigued featured crucially in the industrial activities when laboratory experiments and tests revealed that the human beings consume carbohydrates which while working is converted to sugar a source of energy. The sugar with passage of time is converted into glycogen which again is converted to carbon di-oxide leaving an impact on the nervous systems when the human body feels tired and in course of time with persistence a feeling of fatigue encompasses the body.

This was first experimented on the muscle of the body of a frog by electrodes and the graphical representation while starting with considerable ups and down, ends with a straight line.

Thus during the working hours for eight hours a day the arrangement for providing a tiffin break with provision for tiffin for the workers who

* Poison in your food—Published in India Today, June 15, 1989 by Raj Chengappa & Chidanand Rajghatta



were working in the industry and somewhere in the office were felt badly. Necessary statutory provisions in this regard have been made in the Factories Act, 1948 also.

When a man swallows chemicals like DDT and BHC they are absorbed by the small intestine. These then adhere to the fatty tissues—the storehouses of energy that are distributed throughout the body and account for 10% (ten percent) of its weight. The toxins usually pile up in the fatty tissues of such vital organs as the thyroid, heart, kidney, liver and mammary glands and the testes. They leave an impact in the embryo stage of mankind. These are transferred from the umbilical cord blood to the growing foetus. Again the babies receive the same through the breasts. It is believed that the body can store about 50 to 100 milligrams of a wide variety of these toxins.

A series of tests were carried out at the King George Medical College (KGMC) and the Industrial Toxicology Research Centre (ITRC) in Lucknow by spraying DDT and Malathion regularly on workers. It was noticed that 50% of the workers developed psychological symptoms like anxiety, sleep disturbances—insomnia and depression. Complaints of severe headache was also in common. Loss of memory, whistling noises in ears, flashes of coloured lights and retinal damages with blurred vision and black dots in front of eyes were also reported.

Even such complaints were reported by the villagers who ate food after taking the foodgrains from the area where farmers in order to preserve the same applied BHC ignorantly.

No doubt those who are not exposed to the use of DDT or BHC may develop such ailments. But the studies of the Institutes (KGMC) will establish the link of blurring the vision or a heart attack to signs of pesticide poisoning.



Growth of USAGE of Pesticides

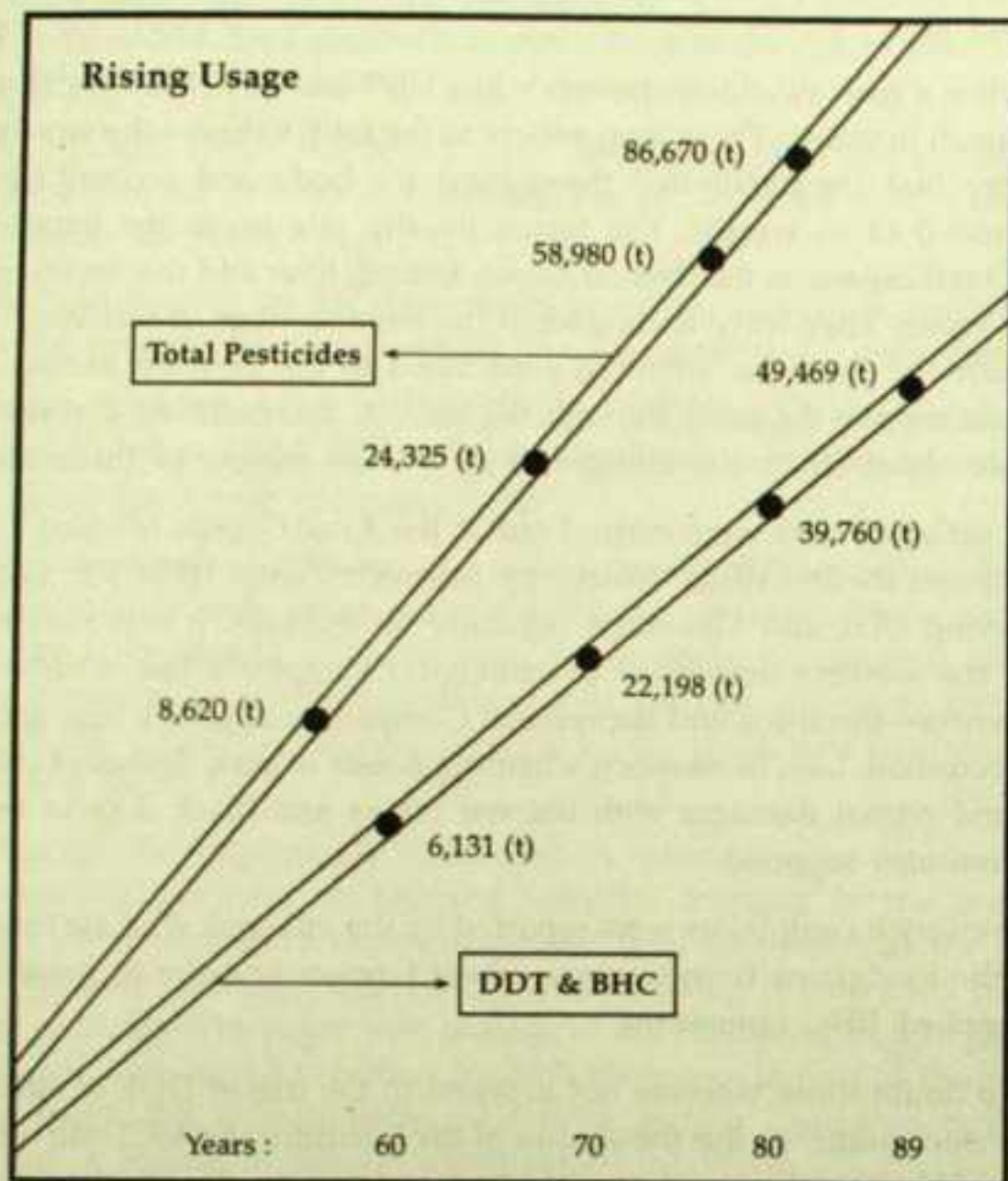


Fig. - 6

* Source : Study of Dr. Rajendra Kalra, Project Co-ordinator, FAO study & Senior Toxicologist at Punjab Agricultural University in Ludhiana, Published in India Today, June 15, 1989.

* Study of Dr. Rajendra Kalra, Project Co-ordinator FAO study & Sr. Toxicologist of Punjab Agricultural University in Ludhiana. 1989



Women giving still born babies were put to tests at Hyderabad. In their blood tests a high deposit of DDT and BHC were found in their blood. And it has been concluded that the residues of DDT and BHC may inhibit normal pregnancy. Even a question arises whether these residues carry the cancer inducing substance since the breast tumours were analysed by a Marathwada Agricultural University, Maharashtra and found that all of them contained high content of DDT and BHC in the tissues.

A visit to a neighbouring sweet shop will unearth that many sweets are made colourful, presentable and attractive. The use of colour in food or edibles is gaining momentum. In summer the pedestrian in order to quench the thirst at the outset calls for an ice cream-seller to fetch an ice cream which is obviously of colour. It is colourful. But the tragedy is that there is colour only to become a fool. The barfis, gulab jams are not sweet as they took. Many of those brightly coloured dyes are made from harmful compounds which cause kidney damage, eye defects and even affect the reproductive systems. The following colours are made with misused dyes viz. orange, blue, bright green and red.

We often say variety is the spice of life. While eating the use of spice is very common and it is essential as cooking medium to make the dishes dainty. The efficiency of pudding is in eating. In order to make the cooked food look attractive spices are used when the main focus is on making it tasty. Sometimes it has been found that prohibited dyes are added with turmeric and chilli powder.

The cooking medium in most parts of the country is oil. Rather mustard oil is widely used for cooking food. Apart from the fact that it helps in cooking without any odour and that it has fat which is hygienic. To that extent it is widely used with the belief that it possesses the properties which are safe.

Uttar Pradesh in India is one of the important mustard producing State which supplies to other states mustards as well as mustard oil. Once there is any bottleneck in the producing of mustards and consequently the mustard oil, the whole country is confronted to innumerable crisis resulting in consumer dissatisfaction. The business sector capitalises this aspect to find fortune for themselves. In sample surveys it has been noticed that the oil has been subjected to adulteration with linseed and the highly toxic argemone oil.



Argemone on the other hand is identified as poisoning agents which causes swelling of limbs, nerve damages, heart attacks and blindness.

Instances of catastrophe in the use of rapeseed oil as cooking medium as a substitute to mustard oil is also not uncommon. The practice is to use the rapeseed oil duly refined. Instead, the consumers purchased the rapeseed oil, consumed it and were found their limbs paralysed. The rapeseed oil scandal at Behala in Calcutta witnessed such inhuman treatment meted to the human beings. Paradoxically, the rapeseed oil was being sold through the Government Controlled Ration Shop and it was subsequently found that the oil was adulterated. Apart from the loss of life, the consumers who were turned to be physically handicapped had to be treated at public cost, i.e., by the Government. Then the question of rehabilitating them is not only a socio psycho problem but a question to be probed with its consequences on the future posterities.

The problem has been aggravated by the use of heavy metals in food. Lead, cadmium, manganese and nickel are known as heavy metals. In an All India Survey it has been noticed that the food and drinks were contaminated with such heavy metals and the obvious consequences is health hazards.

It has been suspected that some of these metals are contained in the pesticides.

It is a matter of daily practice that the industries release their wastes and effluent to the rivers. No doubt, our civilization is river based and most of the ancient civilizations when analysed were found to have developed on the bank of rivers. Such is the Indus Valley civilization, Gangetic Civilization. The two important elements, viz., water and air consisting of hydrogen, oxygen are mainly concentrated on these free gift of nature. Industrialisation paved its way with the help of these ingredients of factors which are abundant in supply so as to deduce the economy of the operation of the industrial system. Thus the economy of the economics started bringing peril to the individual, corporate and social life by the irresponsible behaviour of the industrialists. Of course, every coin has got two facets. We cannot have only one facet. Every system should follow the positive and negative contributions. Industrialisation is a must. So we cannot have a choice of Industrialisation minus the negative contributions of it. The scientific approach provides for a treatment of the negative contributions.



The unscrupulous, irresponsible behaviour of the individual both in the private and corporate life discharges the untreated industrial effluents indiscriminately into rivers and fields. Again the exhaust fumes of the automobiles when contaminated in air, the air becomes polluted. The air we breath and the water we drink bear the compound containing lead and manganese. As a result the air and the water which are also the prime agents for production are found to be the base of settlement of heavy metals which poison the food and the drink.

There is of course, tolerance limits of inhaling or consuming such heavy metals which are inescapable. Again the tolerance limits may change in course of immunisation. But in any way, after certain point or level the inevitable consequences, namely, mental retardation in children, nervous debility, impotence, blindness and even death become imminent.

Use of such contaminated food and drink makes the individual exposed to unnecessary evils of life—physically and mentally when the sensory organs, viz., eyes, ears, nose, skin and tongue become susceptible to be affected and the manifestation is in the loss of weight, weariness, fatigue, nervous debility, damage in heart, lung, kidney and mental debilities. A sphere of tension and anxiety prevails. The physique of an individual is based on glands. The course of nature provides for the glandular secretion with stimuli. As a result of the tension and anxiety with the consumption of food causes either more secretion where it is not needed and less secretion where it is needed. The obvious consequence of loss of individual efficiency resulting in corporate inefficiency makes it less operative giving to use to weakness effectuating a premature end.

In our country, consumer protection is a new concept. Hardly adequate steps and measures have been taken to protect the interest of consumers.

The concept of 'Caveat Emptor' is the most predominant and prevalent concept. Purchasers need always beware. In an industrialised society when demands are most created one, producers make it imperative on the consumers to accept it. Consumption becomes an imposition of the industries. The pattern of consumption thus changes with the desire, caprice or whims of the industries.

The marketing concept has gained a new dimension. Merchandising the products with its shelf life made it possible for making the supply of the product perennially without any decrease in its use value at a determined



price. The question of introduction of standards in relation to weights and measures was badly felt, particularly in the inter state trade or commerce. In the post-independence period an essential piece of legislation for consumer protection was enacted, viz., The Standards of Weights and Measures Act, 1976. This corroborates that efforts to strengthen the national economy the legal metrology was introduced conforming to international practice extending to three broad human activities, namely, commercial transactions, industrial measurements and measurement needed to ensure public health and human safety. It protects individual from financial and environmental points of view. It envisages proper control on the accuracy of measurement carried out in industrial fields so as to ensure interchangeability of particulars and components with a view to permitting mass production of machines and its parts and accessories.

In order to keep pace with the modernisation in merchandising the commodities in packages, The Standard of Weights and Measures (Packaged Commodities) Rules, 1977 was framed under Standards of Weights and Measures Act. Rule 4 provides for certain declaration on the package. The framers of the rules anticipated that there may be variation in weights and measures on account of environmental or other conditions and as such specification for disclosure, e.g., percentage of alcohol content, the fat content and the nutrient content has been made in respect of alcohol, bread, butter and fruits, etc.

The advancement of Science and Technology has made the widespread use of plastics and foils to pack food products including milk, etc. This is sometimes called plastic or polymer civilisation. Sometimes dyes for printing and adhesives for packing are used. It is now a very big question whether the host of preservatives and adhesives used in the growing instant food industry is really safe from the point of view of the consumers or harmful. The biodegradation aspect of the foils also poses a big question.

The prescription as per Act embarks upon the identification of the product, its weights and measures and its efficiency by manufacturing date and expiry date, the price, etc., among other things keeping a silence in respect of container of the things contained.

Reverting back to pesticides, reiteration may be made with regard to the immunity of the insects. It has been noticed that the spraying of Baygon Spray to kill the mosquitos at the outset witnessed a successful operation



for a good sleep in the night without mosquito nets. Now-a-days a spray for once is of no avail, experience says. This may be testified that India was a field for malaria. The use of pesticide helped checking the spread of malaria in the country on the one hand and augmented the food production in rural India. As a consequence, malaria cases dropped from 75 million a year in 1948 to barely 50,000 in 1961. The production of the quinine factories had to lower down because of less requirement in the domestic market. Needless to say, that by the end of eighties, malaria cases are on the increase. The hospitals are getting patients of malaria whom they admitted for treatment of other diseases. So malaria is now staging a come back with its increased resistance power and it strikes to two million people yearly.

India had primarily an agrarian economy. It was mainly based on agriculture. Agriculture was the football of business. Nature is not niggardly. India is described as a veritable darling of nature—a country richly watered, richly fruited and verdant with crops. So a country which was a grenary was confronted with the menace like a spurt in the growth of population which was added with the influx of refugees from the erstwhile East and West Pakistan. The humanity demands along with human rights the minimum food. Land as a factor of production is characterised by its limited in supply, heterogeneity and governance of the law of diminishing return. So the impending necessity in the post-independent India was to augment production of food for the millions and to see that none in Free India die in starvation. The penacea is to explore the scientific and technological innovations with the prescription of Schumpeterian thought to fight the menace. It started noticing that Chemical War was launched for producing crops of high yielding variety sometimes in the Sixties. Land which yields a single variety started producing two or three crops. But the susceptibility to vulnerability to pest attacks of the crops could not be ruled out. There is no denying the fact that at present pesticides protect around 80 million hectares of crops or half of the country's area under cultivation. As a result consumption of pesticides has risen tenfold in just three decades and is expected to cross 80,000 tonnes. Statistical data reveal that India ranks largest manufacturer and consumer of pesticides in the South Asia. About 350 companies are engaged in the production of about 203 varieties of different formulations and 131 different types of pesticides. It is often sarcastically remarked that the Government is the largest "peddler of this dope".



Of the important manufacturing companies of the pesticides, Hindustan Insecticides in the public sector manufactures DDT the country uses while Hindustan Organics another public sector company produces BHC which account for one sixth of the total production in the country.

* Despite the proliferation of pesticides, DDT and BHC still account for 50,000 tonnes or two thirds of the total consumption in the country. This wide use of pesticides is because of the fact that these are 10 times cheaper than most other pesticides.

Again these are easy to handle and attack a wide range of pests. But the disadvantages are also ubiquitous and multidimensional. Once sprayed they do not degrade easily and can persist in the environment as long as 20 years. So the soil stores, preserves and transmits. The groundwater becomes polluted affecting trees and wildlife and the edible crops. *The reservoir that is the soil which is the soul of the agricultural production becomes sinned than a sinner.*

The growth concept admits the concept of the gestation period. The use of pesticides for augmenting food production vicariously was the cause while the explosion of pesticides started coming home in the eighties, i.e., after 20 years from the sixties and has posed a serious threat. The Food and Agricultural Organisation (FAO) a wing of the UNO conducted a sample survey and in their findings it was reported that almost all the samples contained DDT and BHC. Every system develops safety devices which is an in-built one. Once adulteration or contamination starts the safety limit or tolerance limit is also fixed because it is inescapable. Every market basket if surveyed will lead to the most inevitable finding that about 1.2 percent of the food samples have residues above the tolerance limit or level.

It has been revealed under the Global Environment Monitoring Programme sponsored by the UN that in India where pesticide residues in human breast milk provide an element build up in the body. The fat content in the breast milk is high and as such it serves as a reservoir of the pesticide residue. It has been observed that the DDT and BHC residues in breast milk of Indian Women are four times higher than other countries from where the samples were drawn up. As a matter of fact, babies consume this breast milk and succumb to the evil consequences.

* Statement of Dr. S. P. Dua—Chairman of the Public Sector Hindustan Insecticides



Widespread spraying of DDT seemed to inhibit the reproductive ability of the birds. In human DDT was also associated with nerve and brain damage. Animal studies show a clear evidence that application of BHC cause spontaneous abortions and leading to severe liver and kidney damage.

Frightened with the dangers a few developed countries switched to safer pesticides like synthetic pyrethroids which degrades rapidly and cause less harm to the body but selectively it kills the target pests and the residue levels have dropped in foodstuff.

It was also noticed that the BHC consumption causes high blood pressure, severe heart damage and blindness. The Central Food Technology Research Institute at Mysore administered DDT on rats and found deformities in the skeletal structure.

Folidol, Tik-20 and Fillit are a few brand names of pesticides. The agricultural production is often exposed to the problem of pests attack. The quality of product aggravates the quality of life. Vegetables are also not exception. Bringel, lady's finger, etc., are placed under pesticides for its colour, pleasing presentation and marketability for a better price.

Instances of death—committing suicide after consuming the insecticides are not uncommon. Knowing the tragic end producers apply these and consumers procure the same even when it is dearly in the market where prestige symbol signifies purchasing at a high price.

People often complain irritation, swelling of limbs, etc., which in medical terms is expressed as allergy—particular sensitivity to a particular thing and as such the consumers are advised to shun the consumption of the same which justifies perhaps the variation in the individual resistance power.

Malpractices abound. Farmers are known to spray methyl parathion on cauliflower to give it an extra white appearance.

Bhindi/Lady's finger is dipped in copper sulphate to make it look greener. And the norm that no spraying should be done a week before harvest is frequently violated. A thorough wash and a vinegar douse help to get rid of much of the toxins in vegetables.

Non-vegetarian food is highly contaminated. Goats swallow pesticides when they graze near fields being sprayed with them. Hens do the same through the food they eat, which is usually the husk of grain. And the



residues seep into eggs as well. Fish to contain high amount of DDT residues. People illegally spray endosulfa on water to stun fish and catch them.

The use of chemicals in the production of foodstuff has by no means gained ground inspite of the fact that the chemicals portend danger and have inherent limitations. But for the sake of quantity to feed the millions the quality has to be sacrificed both from the micro and macro aspects. The objective is to serve the people but if the health of the people and his interest are in jeopardy, it calls for a scope for rethinking. This calls for toxicological studies which are generally done from abroad. In a developing country it is quite natural that the people live in abject poverty and their undernourishment keeps poor hygiene which is susceptible to disease. Again diseases gain ground in weak areas where resistance is poor. Thus the chemicals like DDT and BHC when combined in a poor hygiene provide for a more toxic cocktail with a heavy impact.

There is a contradictory picture regarding production and consumption of pesticides. The producers express helplessness to curtail production while they cater to the needs of the Departments of Government like Health and Agriculture and they feel that the hue and cry in respect of evil effects are nothing but an exaggeration of the situation. The manufacturers safely argue that in a tropical country the pesticides degrade faster in sunlight than temperate countries.

On the other hand the farmers while consuming it do not follow the precautionary measures and in order to have their commodities marketed immediately they manage to forget the safety aspects of the ultimate consumers for whom the production processes are to continue. It is a caution that no spraying should be done a week before harvest to prevent high pesticide residues in vegetables because it has been observed that such residues shot up to dangerous level in cabbages, tomatoes, cauliflower and other vegetables. This indicates that public consciousness is absolutely lacking.

In the cases of fruits—grapes are probably one of the most widely sprayed fruits. Studies reveal that they contain high residue level of several pesticides. A good wash with a dash of detergent or baking soda can knock out these toxins. In apples, the threat comes from chemical daminozide used as a growth regulator and now suspected to be cancer causing. Citrus fruit too contains toxic residues.



There is a chain—a poison chain starting with farmers pesticing to protect foodstuff and the Authorities of the State entrusted with public health spraying to control malaria causing mosquitos. Cattle fodder and chicken food are affected since residues after pesticides remain even after spraying. Thus meat, fish, milk and egg get toxic.

Again to prevent fungus and rodents attacking stored grains spraying is done and the foodstuff also store the residues with it to augment the toxic substances.

On the other hand vegetables are dipped in pesticides for looking fresh and also from the point of view of preservation. Oils and sweets are adulterated with dyes, etc., which are prohibited or not desirable on health grounds.

Although before cooking the foodstuff is adequately washed but cooking at a temperature rarely destroys toxic residues. When ingested, pesticides are absorbed by the small intestines. Moreover fatty tissues in the body store the pesticides which damage vital organs like the heart, brain, kidney and liver of the individual who prescribes and the corporate life produces at the peril of social life—a vicious circle.

Poet Yeats says :

"Things fall apart ; the centre cannot hold
Mere anarchy is loosed upon the world,
The blood dimmed tide is loosed, and everywhere
The ceremony of innocence is drowned ;
The best lack all conviction, while the worst
Are full of passionate intensity."

Human organ marketing

We often say, money begets money. So also the crisis which does not visit alone. The horror of poisoning the food affecting the organs of human body witness a vile, deplorable and morally reprehensible development.*

* Dr. Ramesh Kumar, Neurologist, Delhi.



*The cry for the human rights is being drowned by the prostitution of the human body. The spare parts of human body are now available at a rate of**

- (i) Live donor kidney – Rs. 30,000.00
- (ii) Live cornea – Rs. 80,000.00
- (iii) Skin – Rs. 1,000 a patch
- (iv) A full skeleton – Rs. 10,000.00

An appalling business which violates the basic principles of humanity. The shocking picture in kidney market indicates that while in 1983, 50 kidneys were marketed, the total turnover in kidney business is about Rs. 40 crores now. Such is the gravity of the situation which shows the bankruptcy of moral and ethics of business, unscrupulous activities of the corporate bodies whose production has been bringing a social disorder in the erosion of values reducing the individual life to a non-instinctive mechanical device subject to adjustment with spare parts.

The productivity concept has gained its importance because of the fact that in the production arena with minimum input, the output will have to be optimised. The resources are the gift of nature and are believed to be limited in supply. So a cautious approach towards its integrated and holistic use is made. The human resources are no exception to it. The individual can contribute his best with a quality of life in a conducive environment. Now the quality of life depends much upon the consumption pattern which when susceptible to diseases makes the human more prone to be inefficient and ineffective. Moreover, it is an acknowledged fact that productive system presupposes the functioning of a few M(s) of which Men, Machine, Money, Method, Market and Management are worth mentioning. Barring Men and Manage-men-t (i.e. manage men tactfully or man-age, since man is aging) all other resources behave in a stereo typed manner and respond to a fixed scale because of its rated capacity. It is only individual or its collective wisdom can augment it beyond the rated capacity. Obviously the question is how ? The answer is not far to seek. Man possesses certain intangibilities like emotion, love, affection, despair, sentiments which of course vary because of the glandular secretion.

Now the food which has been poisoned and is aggravating the health of mankind is deterring the secretions and making him ineffective and inefficient. Thus it is now a wonder that the human organs are being purchased and sold like other commodities which casts an aspersion on humanity and an injury or insult to the mankind.

* The Organ Bazar by Raj Chengappa—Published in India Today, July 11, 1990 (pages 61-67)



This poses a great question whether man will replace machine or machine will replace man ?

No doubt machine is the creation of man and the creation can never overrule the creator.

The problem lies within the man himself. Like other intangibilities, the destructive and vicissitudes in approach, the outlook and the attitude lead man to the innovative and creative ideas. Such intangibilities are identified as imponderables and deserve a continuous control and vigilance from the viewpoint of its role and impact on the society.

* Though generally ignored, the focus on the control of iodine deficiency diseases (IDD) has suddenly sharpened. Since iodine is necessary for the thyroid gland to produce crucial growth hormones, deficiency in the foetus or in infancy can lead to cripples, deaf, mutes, cretins and still births.

It is responsible for the birth of a majority of the mentally handicapped in India—2 million of these cretins, handicapped mentally as well as physically.

It is not impossible to solve the problem. All that it needs is less than a pinch of iodine in common salt. A standard strategy—a crash programme with iodine injections in endemic areas and compulsory salt iodation had been followed in most of the countries.

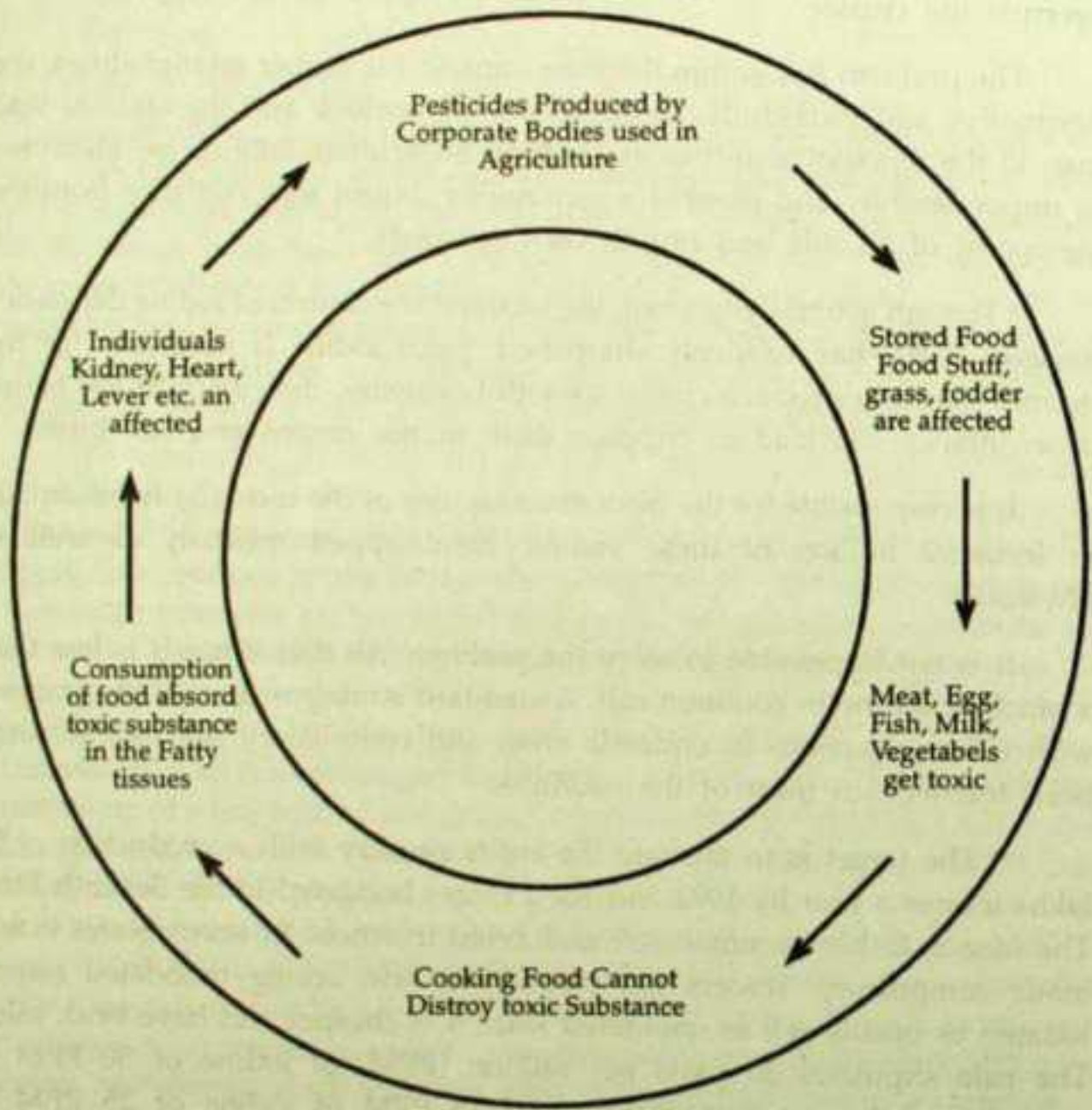
** The target is to saturate the entire country with a production of 50 lakhs tonnes a year by 1992 and Rs. 2 crores budgeted in the Seventh Plan. The idea is to ban common salt and avoid injection. In seven States it was made compulsory. Traders get around the law, selling uniodated salt as iodated or openly sell as uniodated since it is cheaper and have brisk sales. The rule stipulates 30 parts per million (PPM) of iodine or 50 PPM of potassium iodate at manufacture and 15 PPM of iodine or 25 PPM of potassium iodate of consumption. Manufacturers do not print on packet and do not mention expiry date. Moisture and sunlight can draw iodine. This

* Consumer Safety Statutory Warning by Salil Tripathi in India Today, July 15, 1990

** Iodine—Deadly Lack by David Devadas—Published in India Today, 31, March 1989 (page 182).



irresponsible behaviour of unabashedly selling exposes millions to variety of mental and physical handicap which is a social evil to be fought socially.



Vicious Circle

Fig. - 7



Chapter 5

PROFESSIONALISM OR PROSPERITY PERPETUATION



Chapter 5

PROFESSIONALISM OR PROSPERITY PERPETUATION

The Sachar Committee in its recommendations along with others embarked upon professionalism. It was believed that poverty is traditional and prosperity is modern. The productivity concept can only thrive with infusion of professionally qualified personnel having exposure to the modern tools and techniques in the management of the corporate bodies.

The Kickback system thus has been developed. The statutory certification of true and fair view of the economic health thus no longer tells the truth. On the contrary, it portrays the truth of untruth. This has not only threatened the basic foundation of the economy of the country but also placed the security of the country at stake.

The social accountability and the propriety can soften the predative proneness of the personnel posted at the pinnacle of the corporate bodies.

Poverty is traditional, prosperity is modern. "The old order changeth yielding place to the new". The change is inherent and to resist the change is also natural. The result is the outcome of action, reaction and interaction. To be prosperous and modern, growth is the pivot which enlighten the attitude, vision and make more humane. It is graceless to favour pollution, poverty, sickness, inequality or a poor quality of life. Thus the elements that form a mosaic of an agenda for a humanised society are developed under conditions of actual and perceived affluence. For this purpose, the role of corporate business deserves acknowledgement and emphasis. Business is viewed as an organ of the society. The business is the social sculptor and the quality of business depends largely on the man behind the business. This sense of social sculpting, the commitment to social upliftment can only come through a sensitivity to business ethics, which is directly linked with the creation of wealth—by profits and further generation of this wealth for the betterment of society—both at micro which is organisational and macro which is national level.



Business activities and Constituents Matrix

The perception of the scope of the potential social impacts of corporate business has no boundaries but happily it has focuses. The focuses are the constituencies. The role of business is to be assessed with the relationship of corporate business to these constituencies. The corporate responsibility is considered on the consequences of its actions in each of the cells of this matrix and the *social audit is a matrix** of this sort with all entries in the cells contemplated by the group dynamics provided by the invisible corporate staff—the professionals.

TABLE — 7

	C o n s t i t u e n c i e s					
	Employees	Customers	Owners	Vendors	Immediate Community	Larger Community
A C T I V I T I E S	Products					
	Production					
	Marketing					
	Finance					
	Facility Location					
	New Business Development					
	Government Relations					
	Special Programs					

The rationalisation of large complex social system needs skills, knowledge and discipline of character which are very short supply in a resource short world.

* Corporate Social Responsiveness by Robert Ackerman Raymond Bauer the Modern Dilemma (page 15)—Reston Publishing Co. Inc. Reston, Virginia, 1976



The human resources can not only turn an inanimate object into a social motivator, but also its guiding force is the mind—a storehouse of knowledge which is turned into practical results.

The term 'management' is defined as the task of managing men tactfully. In other words the quality of life which depends upon the functioning of the corporate business is dependant upon the quality of management.

The gregarious instinct in man implanted by the Creator fosters group dynamism. The management functions as a group, its study, its understanding and practice is a sophisticated science that must discipline, shape and regulate the very fabric of an orderly, moral civilized society which will not encourage anti-social tendencies generating towards amorality or attitudes of mind that encourages hypocrisy.

Professionalism in Management

Management with its institutional and educative values based on the ethics and standard has emerged as a profession in a critical juncture when the nation expects more contribution from the corporate business. The productivity concept in management has ushered a new era with the specialised techniques. While generalisation refers to more length, specialisation refers to more depth or width. Imbued with the objectives of the corporate business each individual in the managerial group should conform to the business ethics with its professional skill, experience and character to behave socially responsible.

The management performance, therefore, needs an appraisal as a part of social audit to meet the present day need of corporate management. In the changed development of the structure of the corporate body, a wide gap has arisen between control and ownership on the one hand and management and ownership on the other. An average shareholder, in recent times, can be viewed, more often than not, as an investor rather than as one who is interested in control. Nevertheless, the law must see to it that the gap between the shareholders, who are the owners and the directors, who are in control of the destiny of the company, does not become so wide as to endanger the interest of the shareholders. Size of the companies now generally is such that their management requires certain professional expertise, apart from entrepreneurial skill. Professionalisation of management is, therefore, not a mere concept but is, in fact, an inevitable necessity for the well being of the company itself.



There are certain areas of management which are beyond doubt, with the competence of professionally qualified people are Chartered Accountants, Cost Accountants, Company Secretaries, Engineers and people having specialisation in management sciences. But professional management takes into account the element of specialised knowledge as well as specialised experience—intensive and extensive.

* The Sachar Committee suggested the definition as follows :

A 'Professional Manager' is an individual who

- (a) (i) belongs to the profession of law, accountancy, medicine, engineering or architecture or
- (ii) is a member of a recognised professional body or institution exercising supervisory jurisdiction over its members or
- (iii) is a holder of a degree or diploma in Management or from any recognised Institute of Management or from any recognised University ;
- (iv) is a holder of a post graduate degree from any recognised University ; and

possesses not less than five years' experience in an executive capacity in a company, corporation or a body corporate or in the Government or

- (b) possesses is minimum of ten years' experience in an executive capacity in a company, corporation or a body corporate or in the Government.

The Companies Act, 1956 provides for appointment of three types of managerial personnel, viz., Managing Director, wholetime Director or a Manager. There is no compulsion on any public company to nominate or designate a person as Manager, Managing Director, etc. The object of securing Governmental approval for appointment of managerial personnel has sometimes been by-passed by companies. The Sachar Committee suggested that all appointments of managerial personnel must be approved by the shareholders by a special resolution. As far as large public limited companies are concerned, i.e., companies having paid up capital of Rs. 50 lakhs and more, it should be made obligatory to have a Managing or wholetime

* A study—Report of Sachar Committee on Companies & MRTP Acts—Published by Centre for Legal Studies, New Delhi. (page 24)



Director. The Company can, of course, have more than one Managing or wholetime Director. The Committee believed that large size companies with diversified nature and complexity of operations cannot be successfully managed without somebody being specifically charged with substantial powers of management.

* The Sachar Committee recommended amendment to section 217(2A) for disclosure of information to provide that

- (i) information relating to employees drawing remuneration of three thousand rupees or more per month has not served any practical purpose. This may be filed with the Registrar along with Annual Return and shall be open for inspection by members of public ;
- (ii) the company shall be bound to furnish on demand by any shareholder information regarding all executives receiving remuneration in excess of that drawn by Managing or wholetime Director ;
- (iii) information required to be furnished along with the Balance Sheet shall be limited to
 - (a) particulars of Directors and their relatives drawing remuneration of not less than three thousand rupees per month or thirty-six thousand rupees per annum
 - (b) particulars of executives in receipt of remuneration in excess of that drawn by Managing or wholetime Director, if such executive by himself or along with his spouse and dependant children holds not less than two per cent of equity shares of the company and
 - (c) categorywise statement showing number of employees drawing remuneration of less than five hundred rupees, between five hundred and one thousand rupees and between one thousand and two thousand rupees, etc.

As a result of the recommendation, a scrutiny of the annual reports of the corporate bodies if made, it will be evident that as an annexure to the Directors' report particulars of employees pursuant to the provisions of section 217(2A) of the Companies Act, 1956 and forming part of the Directors'

* Sachar Committee Report (page 82)



report are submitted stating name, designation, and nature of duties, remuneration, qualification, age, experience, date of joining, previous employment, designation, name of employer, period of service with a note on (1) remuneration including salary allowance, medical benefits, contribution of provident fund and superannuation fund wherever applicable, gratuity, leave travel assistance and value of perquisites for the employees throughout the financial year whose aggregate income as such is not less than Rs. 72,000.00 per annum, (2) none of the employees is a relative of a Director, (3) employment conditions whether contractual or noncontractual and the notice period for separation, if any and (4) provision of Manager and the tenure of appointment, if any.

It is apparent that for a growing economy the need for professional personnel is too much to be emphasised. The institutional growth for the supply may not keep pace. Managers are not born but they are made. Management Education in the socio-economic perspective requires gestation period to meet the demand for good managers who will be efficient and effective to deliver the desired results. The provision of section 217(2A) thus caters to provide

- (i) information relating to the requirement and absorption and scope for professional personnel,
- (ii) compensation packages available for such personnel to provide for incentive, and
- (iii) identification with the corporate prestige, desertion or admission to the corporate service.

Obviously, the expectation is that with the participation of professional management the performance of the corporate body is bound to improve and to assess the performance the provision for audit has been made according to the nature and character of the corporate body, viz., private company, public company and Government company. While the accountability in respect to private and public companies remains mainly to the shareholders, the accountability regarding Government company remains to the Parliament an institution of the people. Professionally qualified persons, e.g., Chartered Accountants prepare the accounts and also go for audit report as against service people in Comptroller and Auditor General under the Constitution report to the Parliament. The functional management, viz., production, personnel, finance, marketing, etc., are rendered by professionally qualified



persons with specialisation in each discipline, the predominance of cadre service, e.g., I.A.S. and State Civil Service with exposure to the peculiarities are felt mostly in Government companies. The fact remains that the individual forms group for a corporate soul where the individuality is expected to be subordinated to the corporate self keeping the professional individual with integrity.

Audit as management tool

* It is preferred not to segmentalise or break the individual into reaction times, learning curves and knee jerks, but to look at the individual in normal settings and roles as friend, as lover, as parent, etc. and to emphasise the nature of the individual relationship to the external environment and its reaction with inner dynamics manifested in the behavioural pattern.

Thus audit is an aid for effective management. The internal audit is the first to conduct an audit of all transactions in every corporate body. External audit is done by Chartered Accountant for public companies and by commercial audit wing of C.A.G. Efficiency is the key note of every management. Efficiency springs from a full realisation of accountability which again has close relevance to the responsibilities and objectives of the corporate body. Audit is an aid for securing efficiency. Internal audit is the ears, eyes of the management which focuses the omissions and commissions relating to financial matters and reports to top management. Management audit is also done when technical matters are also examined. The external audit is done for certification that the accounts give a true and fair picture of the state of affairs of the company. In order to conduct this regularity and accountancy audit the *auditor pushes more his pencil than the brain*.

While it may be sufficient for a public company to have an accountancy and regularity audit, the importance of accountability of Government companies to the citizen via legislative needs no emphasis. Here the C.A.G. in addition to that have been covered by professional auditors conducts an appraisal of an efficiency cum propriety audit to see whether the value for the public money spent has been obtained. Audit is management's best ally.

It is an established fact that 50 to 60% of the cost of finished products consists of material. It is estimated that the impact of 5 per cent saving in

* Understanding and explaining the individuals Social behaviour in psychology is social by Edward Krupat-Scott, Foreman & Co. Glenview, Illinois (pages 2-3) 1982



material cost on profit is the same as an increase of 20% over existing profits. An efficient manager should review the effects of his to-day's decision on to-morrow's result. So one needs an in-built system of conducting internal performance audit of the efforts of management.

Performance appraisal is basically a management function. It is a continuous process. It is a part of the top management task to be constantly on the look for improvement.

Since an institution has to be run with the teamwork of all managers, no department should feel that their action should not be questioned by somebody else. In fact, the system of 'check and balance' is part of the management set up and every manager's activity has to fit in with the overall objectives and goals of the organisation. Every manager is also accountable for his action. Objectives of every manager shall have ultimately synchronised to corporate goals—from micro to macro.

There is of course jugglery and jargon. The individual or group encourage empire building with window dressing of the corporate house and share the profit depriving the corporate body. Apparently the corporate behavioural pattern remains unchanged but ethically damage is caused by the persons dealing with it and that too clandestinely. This is termed as 'Kickback'—the dictionary meaning would appear to be a part of a sum received or paid to another by confidential agreement for favours past or to come which may be as a matter of protection or some other objective. This may appear to be unethical when analysed to show that this has a deleterious effect on the national economy and protends danger to the security of the country.

The picture is quite clear. It matters little whether it concerns a producing or servicing sector—a private, public, Government corporate body or a Department/Ministry under the Government catering to the needs of the public in general. The fact remains that 50 to 60% of the cost relates to material. The procurement deserves attention in view of the fact that unless right material at right time and at a right price with right quality and quantity from a right source is ensured there may be run out or stock out cost leading to the closure of the company as otherwise, piling up of stock may lead to carrying cost with obsolescence and risk of inventories. The pivot factor remains, therefore, at the purchasing point which takes into account the lead



time, lowest tender and proper use of public money. Illegal gratification, manoeuvring the tenders and favouring the suppliers with selfish attainment are not uncommon to ignore the professional approach and its ethics and the greater objectives for which the authority is accountable.

Scamorrption a menace to Corporate health

* The most glaring cases in this regard in the present national economic scenerio are the 'HDW Submarine Deal' and the 'Bofors pay-off'.

In February, 1979 the Cabinet Committee on Political Affairs (CCPA) the apex body under the chairmanship of Morarji Desai, Prime Minister approved the acquisition of Submarine to Submarine Killers for the Indian Navy with a diving depth of 350 metres at an estimated cost of Rs. 350 crores to be paid by Indian Navy for transfer of technology and the indigenous co-production of four submarines.

Four offers from

- (1) Kockum — a Swedish firm
- (2) HDW — German firm
- (3) The Italian Sanro and
- (4) TNSW — 1400 were shortlisted by a nine member Negotiating Committee.

A Rear Admiral was appointed head of a six member committee by Vice Chief of Naval staff and Swedish 45 Kockum was shown first in order of priority by the committee. West German HDW was rejected because it had a diving depth of 250 metres against the required specification of 350 metres.

On 15th June 1979 HDW resurfaced and the committee remarked that it would be considering if it could improve its diving depth. A delegation of officials from various Ministries headed by a Rear Admiral paid visit overseas and firmly arrived at a conclusion that Swedish Kockum was the best at a price of Rs. 318 crores subject to the approval of CCPA. The political uncertainty delayed the process.

* HDW Submarine Deal The Scandal Surfaces by Prabhu Chawla in India Today, March 15, 1990 (pages 32-35)



On April 10, 1980, the new CCPA approved the shortlisting of both Kockun and HDW under the leadership of Mrs. Gandhi.

In May, 1980, the Committee headed by S.S. Sidhu, Additional Secretary without any written directive from Prime Minister's office or any record of authorisation in this regard re-evaluated Kockum's cost at Rs. 403 crores as against Rs. 332 crores for HDW. On June 30, 1980 a week after death of Sanjay Gandhi, the CCPA approved the deal which was finally signed on 11.12.81.

The contract stipulated the four HDW submarines would be delivered at a total cost that included the price of torpedoes—of Rs. 465 crores after six years by end of 1987. Two more submarines would be ordered at a later date.

TABLE — 8
JUGGLING THE FIGURES
HDW SUBMARINE DEAL

		September, 1979	May 1980	
	Max. Marks	Kockum 45-B	HDW 1500	Kockum 45-B 1500
Best Submarine	2000	1700	1640	1716
Maintenance and Logistic support	800	685	675	645
Transfer of Technology	1200	1085	1050	1060
Total points	4000	3470	3365	3421
Cost of four Submarines (in crores)		318.79 (including torpedoes)	336.81	403
				332

By mid 1987 only two submarines were delivered. V.P. Singh the then Defence Minister received information that the Germans may have overcharged India and ordered that attempts should be made to negotiate the prices and bring them down for the remaining two submarines.

On 24th February, 1987 the Indian Ambassador at Bonn sent a secret telegram to the Government saying that the Germans were not inclined to



reduce the price because included in it was a 7 per cent commission they had paid to secure the contract. Sri Singh ordered the enquiry in April, 12 and he resigned from the Government.

The CBI was to file FIR with the following key allegations :

- (1) Indian Civil Servants failed to take a firm stand against HDW DURING THE NEGOTIATIONS AND ACCEPTED ITS unreasonable financial demands.
- (2) Defence Ministry officials wrongly calculated the total cost of the HDW offer which led to cost cover runs from the initial estimate of Rs. 332 crores to Rs. 465 crores.
- (3) Senior officials and the members of the Committee changed various technical and financial parameters in such a way that HDW which was second all along came first.
- (4) HDW AEG – T and Ferrostall changed their earlier price quotations and did not inform the Government about the role played by Indian Agents.

The Public Accounts Committee (PAC) in its report to Parliament in March 1989 concluded that Kockum's Deal was in fact cheaper than HDW by Rs. 18.25 crores. The PAC disclosed that the fixed portion of price for know-how relating to the offer of Kockums (Rs. 25 crores) was wrongly included in the figures to be escalated. According to CBI's calculation the total project cost of Kockums would have been Rs. 313.75 crores and not Rs. 349 crores worked out by Ramaswamy, Financial Adviser to the Defence Ministry. But the Government justified the final decision on the basis of this calculation.

The C.A.G. in connection with BOFORS deal states "we play neither the role of a prosecutor nor that of a defender. Our job is to put the truth before the President. I do not consider myself a watch dog of Government expenditure. My job is to help Parliament ensure that the executive is more accountable to it. I have to ensure Government Expenditure is done according to the objectives for which Parliament gave approval to the Government".

The C.A.G. points out that just a few months earlier, in March 1985 Army Head Quarter sent to Defence Ministry an assessment favouring the French gun which fulfilled 21 out of 25 parameters. The BOFORS gun scored 16 out of 25. In September 1985 the characteristics were narrowed down to 12 point parameters out of which the French Gun scored 7.3 and BOFORS 4.6.



The new evaluation of February, 1986 however added eight characteristics and two sub-characteristics to the September 1985 list.

Judged against the new weighted parameters, the Bofors Gun slipped into top position. The army justified this saying "the Bofors gun's burst fire capability, an essential feature of shoot and scoot tactics was better than the Sofma gun".

On March 24, 1986 the Prime Minister's office said "the Prime Minister had given a further directions regarding the methodology of evaluation, to be communicated separately. Without waiting for further directions the contract was signed on the same day for a Rs. 1700 crore gun deal.

The Defence Ministry deposited that these instructions were intended for future applications and ignored without any clarification or confirmation.

* The C.A.G in his findings reports that the Defence Secretary in his note of March 22, 1986, wrote to the Prime Minister that he had discussed at the airport with Arun Singh question of signing the agreement with Bofors. The Minister "gave his blessings".

It may be noted with scepticism that approval or sanction is recorded but it shows a pre-disposition on the part of officials and politicians to buy Bofors gun.

Even the report of the Indian Ambassador at Sweden stating that Bofors had agreed to a full audit by the C.A.G was not heeded to. Instead the Government opted for the JPC which exonerated everyone concerned.

The C.A.G uncovered other small favours for Bofors minimum standards were diluted for Bofors—supplied ammunition, the assessment of final cost was flawed.

The Indian Government signed the contract on 24.3.86 worth Rs. 1700 crores after Bofors gave an assurance that there were no middlemen in the deal. On 16.4.87 the Swedish Radio reported that Bofors paid bribes to Indian politicians and key defence figures to win the contract.

The Prime Minister denying the charge on 20.4.87 made a statement in the Lok Sabha that evidence of involvement of middlemen of pay off or

* C.A.G report The Smoke Screen Clears by Ramider Singh & Paranjay Guha Thakurta published in India Today, August 15, 1989 (page 28-30).



of bribes or commission if given nobody however high up would be allowed to go free.

On June 4, 1987 Sweden's National Audit Bureau disproved above claim but stated that agreement exists between Bofors and three parties "concerning settlement of commission subsequently to the deal".

The Joint Parliamentary Committee (JPC) of 30 M.Ps was appointed to identify the recipients of the 64 crores paid by Bofors and the opposition boycotted. The JPC submitted its reports exonerating all and sundry on 26.4.88. The publications of the Hindu, Indian Express relating to agreements between Bofors and front companies agents who got paid for the Indian Contract including Hinduja and A.E. Services (3% of contract value). Now the mystery agents behind the three front companies are being searched.

Meanwhile, the C.A.G report received on 27.4.88 was tabled in Parliament only on July 18. The Chairmanship of the Public Accounts Committee (PAC) which initiates follow up action on CAG findings had passed from CPI (M) to AIDMK an ally of the ruling party. The opposition in the Parliament was convinced that the JPC rejected the Bofors allegations and the same course will be followed by the PAC in respect of CAG report. Finding no alternative for justice, the opposition resigned and finally this served as a moral pressure on the popular Government to seek the mandate of the people on this count along with others.

It is a matter of history that there was a fall of the ruling party and the verdict of the people was for a change. No doubt the constitutional Authority prescribed to uphold the unbiased public interest was undermined and the holistic and integrated prestige was lowered. It is worth mentioning that Mr. R. Venkataraman, President of India observed in 1984 "THE CAG has to keep watch against waste and extravagance and assure that the Government machinery observes the canons of economy and efficiency".

The unethical preposterous approach in the matter of procurement manifested in corrupt practices is not a new phenomenon. In the report of Fa-Hien even in Mauriya Empire the historical evidence of inspection of market mechanism to protect consumerism bears the testimony. But the crude form remains with sophistication. In the Private Sector companies pursue it with the concurrence of wisdom and in the Government the whole matter comes to the surface with the cross current of checks and balances even leading to the fall of the Government.



But behind the backdrop the Dramatists are the professional managers or business executives irrespective of public limited companies or Government companies under the influence of politically motivated personnel. The expert opinion—CAG observation are also ignored come what may to the achievement of social objections.

Modern business corporate activities are result oriented with their efficiency and effectiveness. The public corporate bodies motivate the professional executives in accepting strategies to bribing the authorities for getting business which in other words vitiate the corporate behaviour at receiving and giving points. In Government Companies the approach is bit different—as if the King cannot do any wrong. The people's representative can usurp the requirements of technologists and expertise so as to justify the functioning of custodians of people confidence to be carried through a basket of professionals of inaction. The obvious results are :

- (1) The public corporate maximises profit apparently but weakens the organisation inherently so as to follow anti consumerism policy and culminating action under sections 15, 16, 18A, 18AA and 18FA under the Industries (Development and Regulation) Act, 1951, i.e., taking over the management of an undertaking with or without investigation. This makes it imperative to have an inflow of public money in the corporate body to revamp its viability in the form of loan from the financial institutions. Again another vista of corrupt practices open. The professional personnel of the financial corporate bodies again take a percentage of the loan thus sanctioned. The vicious circle comes into operation. Inadequate actual money without intent and competent to repay and mere finding for the cause of industry thereby cause for the sickness of the nationalised banks.
- (2) The Government corporate bodies go on accumulating the losses and keep the paralysed body suffering from cerebral and cardiac attack but cannot loose heart for the sake of the employees and their families.

The help extended to such bodies also sometimes results in no use but to serve as maintenance for the subsistence and physiotherapy treatment.



As has been noted that the malfunctioning of the public corporate bodies may not be surfaced with the regulative sanctioning of the Authority of the Board, such malfunctioning in Government corporate bodies or of the Department may not be possible to keep hidden because of the bureaucratic and ministerial functioning.

Of late, a modern approach has been evolved towards soul searching which have been designed to help free state owned undertakings. The memorandum of understanding as better known as MOU is a formal annual contract signed between public sector companies and their Ministries. These set fiscal and production targets and delegate powers to state enterprises to take independent investment and personnel decisions within specified limits. More important, MOUs list the Government's obligations (clearing projects in time, assistance in realising dues) to the companies.

The problem is that MOUs involve two unequal sides. Both the company and the Government are required by a MOU to adhere to specified targets or schedules—but heads of some concerns complain their ministries do not clear projects as per the MOU schedule. Companies can be hauled up if they fall short of goals, the ministries, of course, cannot be.

Government officials counter that ministries are responsible to Parliament for the companies that fall within their ambit. It's all a question of how one handles the ministry—is the experience of Heads of Public Sector behemoth. MOU has of course empowered to heavier investments by bigger companies than smaller ones.

MOU has a halo effect in the corporate sector clandestinely. The competitive corporate bodies have started to resorting to such an understanding for having a business.

The social objective is to foster competition which will ensure adequate supply in the market economy so that the price is determined in favour of the consumers. The protective measures enshrined in the MRTP Act in providing preventive steps in concentration of economic power and prohibiting monopolistic, restrictive trade practices which manifest in unreasonable price rise or fall in production or deterioration in the quality and distorting competition or by unfair trade practice manifested by falsity thus hoodwinking the consumers appear to be of no avail by the clandestine understanding



under the new formula of MOU. One corporate body quotes or unquotes on the understanding or submit over price or under price not on the forces of market economy but on the basis of the understanding apart from the illegal gratification or other unfair means.

The traditional approach of cost of production and the mark up for pricing for quoting has become a back dated method. It starts with gratification plus mark up and the cost covering the fund available at the point of indenting corporate body. Thus the quality of life is bound to be affected by the quality of materials and the role of corporate bodies in imposing this state of affairs cannot be understated. A bold approach deviated from the regular accounts approach can reveal these social pictures relating to the corporate bodies and the professionals who are paid by the public for their services.

Profile of a Manager

An irresistible instinct often initiates to portray the profile of a professional in his performance of the public responsibilities.

Such people are within the age group between 35 and 65 years. They are of middle height (5'-6" and 6"). Their hair is back brushed, use of dye is also not uncommon.

They work hard—devoting more time in attending their superiors for their personal work, e.g., getting their kids admitted to educational institutions, Income Tax Clearance, Passport Visa, arranging and booking for the tickets, modernising the residences at the corporate cost, receiving or faring good-bye at the airport even at odd hours.

This makes him rising early in the morning preparing for a morning walk presenting himself as smart young guy, meeting equals in the morning and starting discussion of office agenda.

This is followed by bath and breakfast and leave for office where he is highly competitive, feels pressured for time and reacts to frustration with hostility.

During luncheon, discussion on multifunctional or interdepartmental continues with highly protein and carbohydrate food accompanied by drinks. A visit in the office area will reveal during lunch break that the assistants and the office master even in Managers' canteen supply of drinks is euphoria



along with eating. To finance the bill is not a difficult task but to sign the voucher mutually and reciprocally.

The office closes but the business executives continue either at office or at a club or at a rendezvous where alcoholism engulfs. To retire to bed in the late hours is a matter of routine. Such people physically are characterised by likely to develop heart diseases. A high level of cholesterol or other fat in his blood, high blood pressure, diabetes, exercise little, smokes more, are the features.

The cholesterol are deposited on the walls of arteries. These deposits form plaques which narrow the vessels. With the decay of these plaques the artery walls are torn off and form clots that close off the channels of one or more of the coronary arteries and result in a heart attack.

* Taxes and cholesterol—Stress can make such an attack likely by increasing levels of cholesterol in the bloodstream. With the approach of the closure of the financial year, the serum cholesterol level in the blood of the manager, accountant and others shoot up from normal levels. As the deadline passes, their cholesterol level fall sharply. So also happens in the event of Annual General Meeting and closing of accounts to the Secretarial and Financial Managers.

Again blood passing through the arteries under high pressure increases the likelihood of tears in the arterial walls. It is around these tears that fatty deposits form plaques. These plaques, are in turn more likely to tear away when blood pressure is high.

Another route from stress to heart attack is through the body's general reaction to stress. When a person is under stress, his brain causes the release of the hormones adrenaline and non-adrenaline, which help mobilise his body to cope with danger. But these hormones speed up blood clotting thereby increasing the formation of arterial clots. At the same time these hormones raise one's blood pressure which can in turn lead to sudden bleeding in an arterial plaque and the formation of clots.

The characteristics of the ambitious professionals are wealth mongering complying with the orders of the Authority more succumbing to their selfish

* Psychology is Social by Edward Krupat—Scott, Foresman and Co. Glenview, Illinois, (page 408) 1982.



desire which have hardly to do with their professional skill, knowledge and experience. Such professionals work hard and fast to succeed and in striving his goals, suppresses feelings, such as fatigue, that might interfere with his performance. Anger overwhelms if someone or something gets in the way of the success. These traits suggest a person who rises to master challenges out of a need to control his world.

Again the concept of control makes the professionals more distressed when there is threat to his power of control and there is nothing he can do to master the situation, try as he may. In the face of uncontrollable losses leading to the feeling of bereft and helpless lead to disease. The security of the job, absence of retiring benefits and the uncertainties for the years to come make these helplessness stronger to commit corrupt practices leading to stress and strain to suppress with an ardent desire to exhibit the life style to the equals and get pleasure in exacting them. This fosters enmity and intense rivalry. The immoral and unethical activities thus pursued become gradually normalised and the scale of moral rating is fixed at a higher level absorbing some part of the immoral activities.

It may not be out of place to recall that in the first five year plan period that is during fifties, use of Government vehicles by the bureaucrats, ministers for transporting their family members was looked upon as abuse of powers and misuse of resources and would use to be cried down. Now-a-days, even the vehicles are hired by the Government officials or the managers of the corporate bodies to serve the wanton desire of the coveted either under fear or to get a happy return which is termed as efficiency and effectiveness. A stressed person cannot control and therefore compensate by restraining the impatience which would normally interfere with fast performance. A person who increases his efforts to master a situation can never control and is bound to be frustrated.

These complicated reactions seem to indicate that professionals at first rise to any challenge, try hard to control a highly stressful situation, feel helpless even when best efforts fail and attempts to master it suffer. The loss of job or financial setbacks are all events that could little be remedied. The life-targedies are hard for anyone but are dangerous. These spell heart attack and even death.

The medicine professionals learn the science of medicines but not the art of medicine. The art involves a respect for life, for great mysteries



imponderables human potentiation. The modern "health care delivery packages" are more mechanistic. It is holistic when physician takes time to consider the whole patient—lifestyle, emotions and nutrition so that he is not merely treating a specific symptom with a specific antidote.

The sophisticated electronic machines with computer printouts or cathode ray tube terminals attended by white coated acolytes are lubricated by State grants. Catch the eyes and endeavour to fix the faith but while referred to the state of affairs to the mind the electronics do not provide any signalling sound.

Thus in business there is a large and hungry consumer for miracles, for simplistic solutions. The gullible fill the tents of faith healers and the pockets of the producers of nostrums.

The human resources enriched with professional background are required more in number to man the corporate bodies for fostering growth of the economy who are prone to be corrupt and to be swayed away by luxurious enjoyment with the exclusion of the millions for whom they have been developed but manage to forget the commitments. This gives rise to psychological treatment of these personnel to get rid of their predative allergy and make them dedicative for the social cause which can only be possible by unearthing the avenues by the SOCIAL AUDIT.

There are 176,104 non-Government companies limited by shares at work as on 31.3.89. 35,600 prosecutions launched under the Act were pending in various courts in the country at the beginning of the year 1988-89 and 9,298 prosecutions were instituted during the year against 4,100 companies and their officers. 52.1% (6,325 out of 12,143) cases were decided and ended in conviction and 32,755 were pending. The figures give the magnitude of the problem vis-a-vis the role played by professionals.

Self Audit

The difference between an ordinary employer and a professional man lies in his vocation, knowledge and capacity. There is an ardent desire to be a professional to serve the community well with ethical standard and conduct and sometimes commit by oath. At the entry point some illusions of idealism play with sensatisation of improving the fellowmen and the world. The oath is always against dishonesty and corrupt practices or crimes which in later phases appear to be hypocritical oath.



While self censure can prevent corruption, publications are real purifiers in democracies because public opinion would force the political economic and other powers to submit themselves to the ethics of the community.

The Government is far from possessing the moral strength which could be obtained through the media by correctly interpreting public opinions, code of ethics.

"In a corrupt society the forces of death are more valiant than the forces of life ; hope has been lost and the essential structures are melting away"—says Robert Payne.

A result oriented corporate body encouraging short sighted solipsism and immediatism of professionals and groups do harm to the community preventing them from perceiving that at medium term immorality will hurt them also because it will not only provoke constant increase in costs but also collapse the system. As a result the citizens' loyalty to the State disappear, disintegration begins and the country becomes ungovernable.

Our political and social system is based essentially on material values. The more material values whose self generation though not easy can make the system stabilised. The careerists are prone to corruption and they believe that the only important things in the world are money and power. When the alarm of conscience ceases to ring a corporate body reaches its autumn and slowly dies in the same way as man.

Bertrand Russel said—"without civic morality, communities perish, without personal morality their survival is valueless".

There is no doubt that ethics are vital ingredient for the survival and it is the corporate responsiveness that can make it more fair and significant with periodic check up.

It is evident that bribery in case of individuals culminates in kickback with sophistication with collective wisdom find an interplay with modern tools of propitiating the persons entrusted to accomplish the task. The immunology do not castigate such approach but uphold as a norm as 'Speed money' for expeditious disposal. Immorality and bereft of sanity is becoming a misnomer'. The question of revival of the values arises with social objectives through corporate responsiveness.



Chapter 6

CONSERVATION OF THE ECOLOGY AND THE MATERIAL RESOURCES OF THE COUNTRY



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CONSERVATION OF THE ECOLOGY AND THE MATERIAL RESOURCES OF THE COUNTRY

The mode of life of a man is not an accident but the result of environment. The action, reaction and interaction lead to a decision. The existence of living beings maintains the ecology—the very survival of civilization. But the industrial civilization—the so called advanced civilization has in it perennial prodigalities. The effluents, the exhausts of the industries run by the corporate bodies at each step shatter the environment by pollutants.

The pollutants portend danger to life and to the aesthetic excellence by destroying the health, monuments and sources of inspirations to a better and happier life. Awareness of the catastrophe and such suicidal measures may provide for a parameter for social audit of the corporate body.

The material resources as bestowed by the Nature is limited. It is obvious that limited but economic, efficient and effective use of it can optimise the productivity concept thereby leaving a comfortable balance for the posterities. The social audit of corporate bodies can thus help in developing the concept of better design and value analysis for the purpose.

Social efficiency is not measured by aggregating physical quantities of goods and services (tons/yards) but rather by somehow aggregating the subjective values placed on different goods and services by individual consumer units. Thus economic efficiency for a society is identical with a term we prefer to use, maximum social welfare which can be tentatively defined as a situation in which it is impossible even conceptually, to make any readjustment of production or consumption arrangement that would make even one household better off without making some other household worse off. As long as such a "costless" readjustment could be effected in a society it has not attained a state of maximum social welfare. It is termed a Pareto Optimum after the famous Italian Sociologist, Vifredo Pareto.

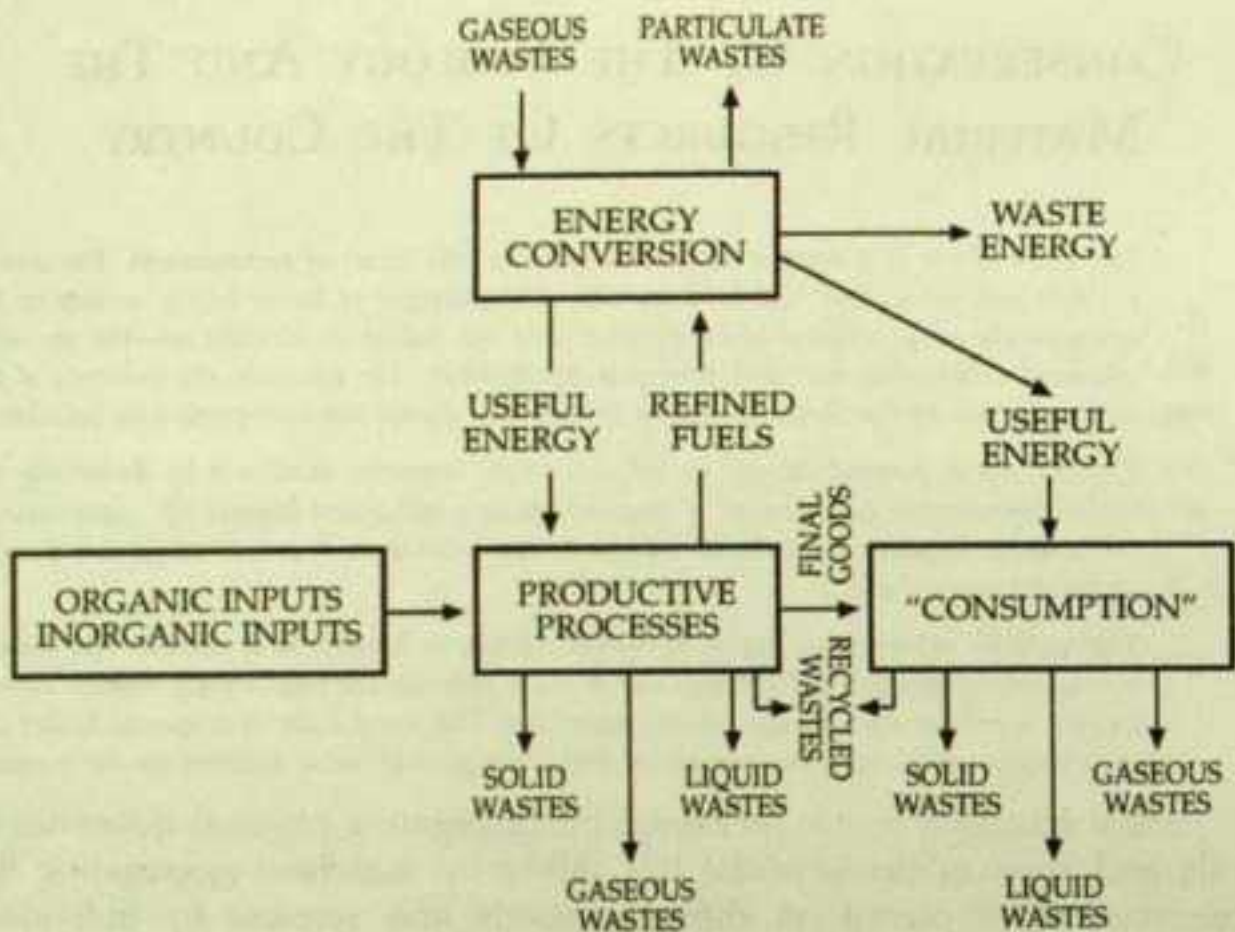
Environment Pollution a social cost

Economists have long recognised that the private market system often produces undesirable spillover effects on man's environment. The spillover



effects, e.g., smoke, effluents of modern industrial plants, etc., result in deteriorating environmental quality—an output that the corporate body does not and of course could not sell. Corporate bodies experience opportunity costs in different forms and would be willing to pay varying amounts if they could effectively end or lessen the polluting activities.

The spillover costs or externalities is a part of total social cost.



*The Flow of Materials

Fig. - 8

The individual who misses a number of workdays each year due to illness caused by impure air bears a personal external cost equal to his lost wages. Society which loses the workers' production for the workdays lost bears an additional external cost equal to net difference between the workers average product and his wages over the relevant time period. Corporate

* Environment at Economics by Joseph J. Senca & Michael K. Taussig—Pentice Hall, Inc. Englewood cliffs, New Jersey. (page 52) 1974



bodies initially suffer uncompensated monetary or psychic costs. Again the production process being with some level of organic and inorganic inputs from the resource base economy ; then through energy conversion with available technology various waste residuals are generated and discharged in the environment.

Increase in production impinges on the assimilative capacity of the environment, society will begin to incur significant cost associated with environmental pollution.

In the post-independence period, the crying need of the hour was mass production. The scientific and technological advancement in this direction conferred many benefits on society in the form of better and improved quality of goods at comparatively reasonable prices and large quantities. The advent of technology has also brought in its trail the problem of pollution.

In ordinary parlance pollution is defined as wrong material at wrong place in wrong quantity. The corporate body may be in need of gas for sustaining its production and may store it. Release of the gas may prove hazardous to the life and health of people of the locality. The emissions of smoke from factories and other matters released in the production process, the dust, etc., pollute the atmosphere and serve as a potential source of hazards to human and animal life.

Environment protection has gained importance specially after the Bhopal Gas tragedy* in late 1984. Corporate productive units—Industries identified as highly polluting in nature are not allowed to convert **their letter of intent** to industrial licence unless adequate pollution control measures have been undertaken as per stipulations.

It may be noticed that the Tata Group and others have been assigned the main and downstream of Haldia Petrochemical Project at first visited the site and enquired from the local hospitals about the endemic industrial diseases and started afforestation as a preliminary step to start the project.

The major sources of pollution are domestic waste, thermal power, industry, irrigation, auto exhaust, emissions, abuse of agricultural chemicals, etc.

* The gas leakage at the plant of Union Carbide at Bhopal, M. P. India



Air and water are affected due to odour and bacteria from faecal matter. The Minimum National Standards (MINAS) would control pollution at source. This should be applicable to thermal power plants, industries dealing with hazardous chemicals and vehicular exhaust. Thermal Power Sector needs to be kept under a very close watch and timely action alone will prevent acidification of our atmosphere. It is expected that between 0.5 to 1 Mt of SO_2 (Sulphur-dioxide) being belched out in the air together with NO_x (Nitrous oxide) suspended particulate matter, huge quantity of ash, etc. In the name of power generation the country may pay much more by way of social costs, health budgets, loss of productivity, etc., if left unattended.

Bhopal should be a constant reminder to every one about how fragile our industrial safety system is and we could have learnt much more from the unfortunate incident.

Water pollution needs be controlled. The Ganga Action Plan is only a first aid strategy. The need is to take a total approach as also "solution to pollution by dilution".

Electricity is the carrier of development. There is a correlation between level of development and amount of energy used by a country. The non-renewable forms of energy are regarded as energy capital and in order to be wise and sagacious *it is advisable not to spend the capital*. Energy sector is in a crisis trap where conservation of non-renewable sources by replacing or supplementing them by non-polluting renewable ones which are more or less pollution free, environmentally clean and socially relevant is the desideratum. One form of energy cannot be a solution. Energy mix—Biomass, Solar, Coal, Petroleum natural gas, hydro and nuclear—each supplying not more than 20% of total requirements should be explored which should be backed by full proof environment safeguards. * There are about 5,76,000 villages in our country where the nexus between fuel, food and fodder has to be appreciated.

Accountabilities for use of material resources

There is no denying the fact that the material resources or deposits are the free gift of nature. These resources are limited in supply. Most of

* Environmental Priorities in India and Sustainable Development—Seventy Third Session—Indian Science Congress Associations—New Delhi (page 161).



the resources are made to use to serve the requirements. Requirements when appear as demand are of two types—one normal or natural and the other created or artificial. The more and more we are civilised more and more created demands are made. When we say that to be modern is to make standard and simplify. But it is not so simple as it is thought or felt. There lies the crux of the problem.

Man does not create but converts the material and add utility. Sometimes Beauty is added to utility to make it 'Beautility' (Beauty + Utility) in order to be modern. In the modern civilisation the corporate sector comes into play with the licence to utilise these scarce resources whose ownership lies with every natural citizen. Thus the artificial citizen—the corporate body cannot have the privilege of enjoying the resources wantonly. Its accountability to the present generation lies while the same responsibility to the generations to come cannot be poorly portrayed or microscopically viewed insignificantly. The optimum use of the material must be explored. Coal, natural gas, petroleum, etc., when harnessed and industries when set up basing on the supply of these resources, it should be remembered that the posterities are there for whom something should be preserved and alternatives should be developed.

It may not be impertinent or incongruous to state that the theory of comparative advantages in the international marketing does not hold good in its entirety. The acid tests of Gulf Crisis and in previous occasions OPEC crisis bear the testimony. When the economy had to face the trouble of STAGFLATION with unprecedented spiral rise in prices, despair in consumption retards the growth and unemployment. But even then the hope for PETROCHEMICALS with mainstream and downstream persists for a better tomorrow.

The corporate sector is the trust of these resources and should look after the interest of the beneficiaries. In order to maintain stable economic growth it is necessary that the resources are used carefully and technologies for recycling wastes and residues are evolved. Essentially the choice is between one time use of materials leading to a "throw away society" and use of recycled materials leading to a "sustainable society". It is estimated that over 22 Mt of fly ash from thermal power sector is available for utilisation while 90% of biomass are burnt straightway can be made better use.



Industrial civilisation and ecology

The growth of cities, towns as a result of industrialisation resulted in urbanisation with slum which tended to create scissors crisis with rural sector. Obviously, the rural people and slum dwellers are accused for environmental degradation but it is actually the urban high energy and high consumptive life styles which in the ultimate analysis put pressures on the rural system. Thus provision of environmentally compatible housing together with local ecology, locally available building materials and environmental amenities must get attention.

The two most important ingredients for living are - air and water. The other name of water is life. It is very vital as the air is. Every breath of oxygen makes significant. Impurity aggravates living. Exhaling carbon di-oxide and inhaling oxygen make the respiratory system continuing. H_2O provides for water which when contaminated with other particles becomes polluted. The pollutants, i.e., wrong materials aggravate both air and water. The gaseous envelope when unbridled causes miseries to the millions in an untold manner. The horrors of Second December, 1984 is still in the living memory. As Bhopal slept, a poisonous cloud of gas released from the Union Carbide Factory. Over 3,000 people died and 50,000 were afflicted with myriad of diseases. The pall of grief is yet to lift. The illusion that modern technology wall 'fail safe' lay shattered. The earth's fragile environment is no longer safe in the hands of man. Such realisation gained ground in Chernobyl Nuclear Disaster and Alaskan Oil spill. The mowing down of forests and the consumption of fuels are leading to the greenhouse effect; a dangerous build up of carbon di-oxide that threatens a catastrophic rise in global temperature. The earth's protective Ozone layer is being rapidly depleted by man made chlorofluoro carbons use.

Ecologists started regarding protecting the environment as integral to the country's thinking process. Environmentalists in their fight to prevent a dam being built in Silent Valley in the Western Ghat in Kerala and battle over the controversial Rs. 40,000 crore Narmada River project witnessed the revolt against mindless deforestation. The agitationists' slogan is "preserve the last ecological treasure house".

* An end to Complacency The 80's environment—The havoc continues but a new awareness sweeps the country by Raj Chengappa. Published in India Today January 15, 1990 (pages 108-114).



The onslaught on forests began after independence when the nationalisation of forests and the privatisation of community pastures were completed. The Forests Department permitted mowing down the forests for commercial purposes. The number of rainy days have gone down from 101 days in 1973 to 58 in 1989. So long the Aravallis remained densely forested the expansion of sandy desert towards Indo-Gangetic plain remained checked.

The existence of the trees, plants in the forests near the industrial growth areas help absorbing the release of carbon in air and thus endeavour in purifying the air through photosynthesis process. It may be witnessed that the leaves of the trees get black with the absorption of the smoke containing the dust particles released from the chimneys of the factories. The factory people residing in the campus inhaling the carbon mingled air develop bronchitis or asthma which often noticed to be the endemic diseases. The ash of the power generating stations gives birth to skin diseases. The modern civilisation - the industrialised civilisation with its prodigalities found the life and livelihood coincided at one point and thus accept it as 'what cannot be cured, must be endured.'

Pollutants a threat to civilisation

Pollutants can be categorised as either degradable and non-degradable. Degradable implies materials that are organic in nature and undergo physical changes through the chemical and biological processes occurring in water. Domestic sewage along with industrial organic wastes-paper, food processing, oil refining, textile, chemical plants discharge in various stages of treatment into water bodies. When organic wastes are deposited in a river or stream, the bacteria begin to break down the unstable organic wastes into stable inorganic elements, viz., phosphates, nitrates and sulphates. The bacterial degradation of organic wastes will occur with the use of the oxygen dissolved in the water. The process whereby bacteria utilise the free oxygen dissolved in the stream to break down the organic wastes is called an aerobic process. The oxygen requirements of bacteria needed to break down the organic wastes is called the biochemical oxygen demand (B.O.D.).

The aerobic action of bacteria on organic wastes produces inorganic components primarily nitrates and phosphates. These form a base plant nutrients in the water and stimulate algae growth which may be desirable for fish life. But excessive growth alters taste and odour of water may prove toxic to fish life, obstruct navigation and hinder recreation facilities.



Non-degradable pollutants are not changed by bacterial processes in water. Industrial wastes, viz., metals, metallic salts, chlorides and toxins are dispersed and diluted but are not physically altered by natural process in water. Another related group of non-degradable pollutants known as persistent pollutants organic in nature, viz., D.D.T., synthetic detergents, insecticides, herbicides and phenols are persistent and resist treatment process and natural bacterial action. Radioactive wastes are extremely persistent pollutants. Polluted water brings forth diseases to mankind and affects the industries through its corrosive component apart from recreation and aesthetic damages.

A single man in a day breathes between thirty and thirty-five pounds of air in a constant automatic response to extract life giving oxygen.

The atmosphere extends hundreds of miles upward and man can breath easily within first ten thousand feet. The air is composed of nitrogen (78%) and oxygen (21%) and other gases - argon, carbon di-oxide, helium, hydrogen, krypton, neon and xenon.

Increasing industrialisation and urbanisation have created growing demands to use the atmosphere as a waste disposal medium. Conditions of deteriorating air quality have grown more severe as urbanisation and mass consumption become standard ways of life throughout large parts of the world. Economic growth - more wastes are behind the emergence of serious air pollution problems. The social costs of poor quality of air in the form of dangers to human health, agricultural damages, property destruction are considerable for the society.

Particulates, viz., dust, soot, ash and smoke are primary pollutants which are dispersed and diffused by natural air but remain structurally unaltered - coal, natural liquid gas, etc. Use of liquid and natural gas because of technological changes decreased particulate pollutants.

Secondary Pollutants

New gaseous pollutants gave birth to problems in structure, stability identifiability and effects and difficult to control.

- (a) Hydrocarbons are organic gases composed of carbon and hydrogen. Inefficient combustion in motor vehicles when emits in extreme concentration poses health hazards. It unites Nitrogen Oxide via



photochemical reaction in sunlight produces a phenomenon smog. Visibility problems and breathing difficulties are the outcome of smog.

- (b) Nitrogen oxide has its origin with gas and oil fuel burning in motor vehicles combined photochemically has devastating effect on vegetation and property. It causes asthmatic attack.
- (c) Sulphur Oxide—arises from fossil fuel burning and produce sulphur-dioxide and sulphur-trioxide when combined with water creates sulphuric acid which corrodes, deteriorates and weakens structures. The source is electrical power generation on combustion of coal.
- (d) Carbon monoxide—colourless and odourless inefficient combustion of carbon fuel and highly toxic and can cause decreased human efficiency in low but chronic doses. It metamorphoses human physiology inhalation of which causes blood carboxy haemoglobin (COHb) 10-20% presence in blood occur malfunctioning of heart because CO blocks the transport of oxygen to blood stream. CO concentration causes death since it raises COHb to 60%. The Environment Protection Agency made a quantitative measure of the extent of air pollution in United States in 1970 which provides for a perversely impressive scenario.
- (e) Heavy metals—Pollutants are mainly dominated by lead whose chief source is automobile exhaust. Excess inhalation or ingestion of lead causes poisoning and are symptomised by anaemia, miscarriage, irritability, motor nerve paralysis, mental retardation, cerebral palsy and atrophy of optic nerves found in children. Cadmium is another heavy metal inhalation of which causes kidney and lung damage.
- (f) Carcinogenic compound—Polyaromatic hydrocarbons are found in wax industry with high temperature distillation is related with skin and of scortal cancer.
- (g) Radioactivity—causes cancer and genetic disorder by ionizing radiation.

A hazardous chemical or micro organism substance is affecting the health and well being of humankind and its environment either by improper



handling or by natural contact. A disturbing situation has arisen on account of the resistance developed to the pesticides by arthropods and plant pathogens, weeds and nematodes. While the number of resistant species in arthropods has doubled that of other species has gone up.

The lesson of Bhopal tragedy provides that regardless of the cultural differences of nation, the safety standards of the developed world's industrial complex which handle deadly chemicals should be applied in the industrial plants in the developing countries. We want to avoid even the least suspicion that multinational corporation place low premium.

On the lives of the less affluent societies and that because of some restrictive national regulations from the developing countries there is lack of motivation by the multinationals to ensure adequate measures to protect the people who work at such plants. Any regulation or provision for early warning which can track down such leaks and give emergency personnel the chance to nip tragedies in the bud is surely cheaper than more than US\$ 80 billion in claims which have been filed in the United States courts and other compensation which Union Carbide may have to pay to the bereaved families and the injured. Even more important is the salvation of the lives of the many people that inhabit and work in such vicinities.

* Twelfth Power Survey Committee has assessed that by the end of Seventh Plan the requirements of the country for energy generation would be of the order of 269 billion units and at the end of Eighth Plan 429 billion units (1984-1985 - Total 156.63 b.u. ; out of which 98.77 thermal, 53.78 hydro and 4.08 nuclear). There are 69 thermal power stations including Super thermal power stations of 8300 Mw. During 1985-86 nearly 74.29 Mt of coal per year is required which would release 22.016 Mt per year of fly ash at 80% collection. The corresponding figure in 1989-90 perhaps is in the range of 108.22 Mt per year of coal and 32.793 Mt of fly ash. In addition there would be substantial amount of flue gases.

It is an acknowledged fact that due to high ash content thermal quality of Indian Coal is inferior. The fly ash is collected wet (Slurry) and not as dry ash. The utilisation of fly ash is very poor about 5% and almost all of it is dumped in ash disposal areas which in itself creates environmental pollution.

* Environmental Priorities in India and sustainable Development by Indian Science Congress Association, New Delhi (page 136).



TABLE — 9

GASEOUS POLLUTANTS FROM A 200 MW THERMAL POWER PLANT coal consumed $6.67 \times 200 = 1,334$ say 1,400 tonnes a day

Constituents	Emission factor Kg/tonne of coal	Emitted Quantity in tonnes a day
Aldehyde	0.0025	0.0035
Carbon monoxide	0.25	0.35
Hydrocarbon	0.10	0.14
Oxides of Nitrogen	10.00	14.00
Oxides of Sulphur (0.5% S)	19 (S)	13.30
Particulate (33% Ash)	8 (A)	369.60
Ash	2 (A)	92.40

(A) - Ash content in Coal %, (S) - Sulphur content in coal %

Source : Sixty-ninth Session - Chaudhuri 1982 Indian Science Congress Association (page 137)

The release of SO_2 from the power sector besides metallurgical sector, exhaust emission from vehicles and burning of coal and biomass add to the gaseous and particulate pollution and give birth to major problem of acidification of our environment. Acid pollution is likely to be transmitted through rain, mist, dry air, melting snow and soil. This would effect our agriculture, forests, tourism, rural development and other cognate aspects of national ventures.'

A few developed countries have been identified as exporters of the great threat of modern civilization - the AIDS. Likewise, acid pollution may bring in international politics as we may become exporters of pollution like Britain and USA.

Automobile industries are the most viable economic facet of the corporate sector providing for employment opportunities, transport and a status symbol. But this has lead to congestion, parking problem, noise, toxic and corrosive fumes and accidental death. The oil crisis compels restriction in the use of the vehicle but the number of cars plying is always on the increase.

The toxic vehicular exhausts are a source of considerable air pollution next only to thermal power plants.



The Central Board as also Indian Institute of Petroleum in 1985 have surveyed 2, 3 and 4 wheeler petrol driven as also diesel driven vehicles particularly for two parameters, smoke and carbon mono-oxide. The survey revealed :

- (1) Sizable number of vehicles exceeded the standards set by ISI for exhaust for smoke and CO. Only 38% of two, 53% of three and 24% of four wheelers meet the limit of 3% of CO-emission.
- (2) The majority of the diesel driven vehicles also do not conform to the ISI standards for exhaust emission. Only 20% of buses meet the standards.

News that there is continuous emission of fly ash and harmful gases from the five chimneys of the Bandel Thermal Power Plant situated at Tribeni just across the Ganga. The fly ash which contains oxides of sulphur, carbon, coal particles and dust, is making the people sick on both sides of the Ganga adjacent to the plant. Clouds of black smoke and ashes enveloping the clear sky is not an uncommon sight in Kalyani and Tribeni *.

The pollution by the power plant has affected the ecology and the residents suffer mostly from respiratory trouble, asthma, skin and eye diseases, allergies and diarrhoea. Old people and children are the worst sufferers, the residents of the areas complain, and say that crops, vegetables and plants have been affected as well. In an effort to contain the pollution, 289 residents of Kalyani sent an appeal to Mrs. Maneka Gandhi, Environment and Forest Minister on March 4.

The signatories include university teachers, research scholars, students and housewives.

It has been learnt that an order for electrostatic precipitators had been placed about a year ago but they are yet to be installed. Residents think that financial problems might be the reason for the delay but feel that a massive plantation drive around the power plants and installation of electrostatic precipitators may minimize the pollution.

Chronic power shortage has created another problem to add to the pollutants to the environment. The mini **generators** are more in use with

* Ashen Skies at Kalyani 'Statesman' Calcutta—April 4, 1991.



different capacity to meet the requirements of the office and domestic ends. Apart from the exhausts releasing smoke and carbon the most intolerable element is the sound and its vibration. The sound pollution has aggravated the civic life of the cosmopolitan cities. The factory pollutants have been extended to the every day domestic life which aggravate the neighbourly relation and family bonds by causing annoyance and irritation.

Noise pollution are related to density of population and activities and to the growing use of vehicles. It is generally observed that permanent hearing impairment is linked with occupational noise rather than daily environmental noise. Noise also lead to stress by automatic and unconscious physiological reaction comprising of high blood pressure, foster breathing and heart beats and an increased rate of release of hormones into blood. Noise usually cause heart and circulatory diseases. It hinders the skill in children.

Environmental noise cause simple annoyance and there is a relationship between noise exposure and the percentage of highly annoyed people.

Noise creates emotional stress that in turn constricts the flow of blood circulation by reducing the diameter of blood vessels. This is the basic cause of noise induced hearing loss as hearing cells die from blood deprivation. The contribution of noise to emotional stress is now only a challenging research problem for the medical sciences. The social costs of noise in terms of health and productivity loss may prove to be considerable. Noise obviously disturb sleep and rest. It has direct effects on economy in terms of productivity, accident, etc. In addition, it is simply an irritating invasion of privacy.

Strawas and Mainwarings in 1984 while describing sources of air pollutants gave an account of the pollutant gases, their major sources and the corresponding natural source.



TABLE — 10

Gas	Major pollutant source	Natural source
Sulphur di-oxide	combustion of coal and oil roasting of sulphide ores	Volcanoes
Hydrogen sulphide	chemical processes, sewage treatment	Volcanoes, biological action in swamps
Carbon monoxide	combustion, principally motor car exhausts	Forest fire, terpene reaction
Nitrogen oxides	combustion	Bacterial action in soil
Ammonia	water treatment	Biological decay
Nitrous oxide	indirectly from use of nitrogen fertilizer	Biological action in soil
Hydrocarbon	combustion, exhausts, chemical process	Biological process
Carbon dioxide	combustion	Biological decay Ocean release

Fertiliser, Fibres, Paints, Plastic and Rubber industries contribute enormous pollutants in the air which are not controllable. While manufacturing fertilizer sulphuric acid is mixed with rock phosphate powder. As a result during manufacture of superphosphate hydrogen fluoride and hydrosilicic acids are emitted to the air as dangerous pollutants. Petrochemical industry has its by - products hydrocarbons. Hydrocarbon gases, combustion wastergases (mainly sulphur and sulphur dioxide), sulphur containing gases like sulphur dioxide and hydrogen sulphate are the pollutants often released in the atmosphere by oil refineries.

Photochemical smog is the complex mixture of products formed from the interaction of nitric oxide and hydrocarbons originating from automobile exhaust with sunlight. High oxidant levels is the important characteristic for smog formation.

Classical smogs are characterised by high levels of sulphur dioxide and smoke particles which gets concentrated under stagnated water conditions.

This causes mortality and illness of synergistic association between sulphur dioxide particulates and their reaction product sulphuric acid. There is a relationship between sulphur dioxide particulate pollution and chronic bronchitis, emphysema and asthmatic attacks.



TABLE — 11

Source	Carbon monoxide	Type (in mt/year)				per cent
		Sulphur dioxide	Hydro carbon	Parti- culate	Nitrogen oxide	
Transportation	111.0	1.0	19.5	0.7	11.7	55.77
Stationary fuel	.8	26.5	.6	6.8	10.0	12.85
Industrial Process	11.4	6.0	5.5	13.1	0.2	13.15
Refuse disposal	7.2	.2	22.0	1.4	0.4	9.62
Miscellaneous	16.8	.3	7.1	3.4	0.4	8.60
Total	147.2	33.9	34.7	25.4	22.7	100
Per cent 100 =	55.77	12.55	13.5	9.62	8.6	

* Professor B. N. Maity, a senior scientist in the Department of Chemical Engineering, I. I. T., Kharagpur, states in the perspective of GULF WAR that the concentration levels of common air pollutants along with some specific particulate pollutants like dust of alumina, sand, iron, oxides of lead, antimony, phosphorous, etc., will occur. Acid rain due to sulphur dioxide, a common pollutant oxidized in the atmosphere will result corrosion of iron and other metals and acidify ponds, lakes and other reservoirs affecting the ecological balance causing the pollutant to react the lungs, leading to bronchial diseases.

Incomplete combustion of oil and gas may react with nitrogen oxides to form the "photochemical smog" which contains several other oxidative compounds. In the areas where solar radiation is strong and the atmospheric circulation is relatively poor, the possibility of smog formation increases as the process is initiated by ultraviolet radiation. Photochemical smogs are toxic both to animal and plant.

The smog itself reduces vision and irritates the eyes. Another common pollutant, carbon monoxide, also a product of incomplete combustion of hydrocarbons, is strongly toxic and it reacts with haemoglobin it reduces

* Environment will suffer after War—report from Staff Correspondent—Published in the Statesman, dated 26.2.91.



the blood capacity to take up and transport oxygen and consequently causes symptoms of vomiting. Even before the GULF WAR, there has been serious global concern over oil spills caused by accidental leakages from supertankers, leading docks, barges, pipelines and the estimated annual leakage of crude oil during transport is 5,50,000 tons approx. The slick restricts the passage of sunlight to the sea causing the withering away of various aquatic plants as there can be no photosynthesis. The respiration of fish and aquatic animals are affected due to reduction of oxygen. Many marine birds lost their flying capacity and many were found floating dead near the shore or sank in the sea since the slick in the Gulf War.

Of course clean-up measures - mechanical gathering and sorbent recovery as well as dispersing agents, sinking agents, burning and biological agents are also available.

But alas ; the environment remains at the mercy, conscious and justice of such pollutant producing corporate bodies.

The diversity of pollutants and their sources suggest that a uniform national air quality policy may be exceedingly difficult to formulate and enforce.

One should not forget that air pollution problem is an intrinsic part of economic activity and growth of a country for better standard of living. The increasing production of goods, relatively low level of recycling and materials and conservation of matter result in increasing amount of junk and solid wastes.

Evidence suggests damaging effects on human exposure to poor air quality over long periods. Bronchitis, asthma, lung cancer and emphysema in addition to general mortality and morbidity rates are imminent. Cardiovascular diseases, pneumonia and pulmonary tuberculosis diseases show increase with higher level of air pollution and urban residence. **Human health costs** of air pollution need be estimated. *Agricultural damage* is caused by air pollutants ozone, sulphur dioxide and fluorides.

Ozone affects plant cells beneath the surface of leaf. Sulphur dioxide taken through respiratory process in combination with water in the plant become toxic to plant cell and adversely affect crops, trees due to power plant discharges.

Fluorides affect photosynthesis of plants, fruits, livestock. Property damage by emission of particulate matter that soils clothes, autos, homes



and buildings. Blackened facades of buildings because of hydrocarbon and sulphur pollutants corrode, crack and weaken materials by ozone. Sulphuric acids formed from a combination of emission of sulphur oxide and water weaken and wear building surfaces.

The fly ash emitted at Bhatinda Power Generating Station in the surrounding atmosphere is creating smoke causing nasal, eye and respiratory trouble to the residents. Crop lands are also affected.

The pride of India—one of the eight wonders of the world—the embodiment of the platonic and eternal love, the TAJMAHAL has witnessed the possible corrosion of marble and sandstone of Agra, Fatehpur Sikri, Mathura and Vrindaban from corrosive gaseous emissions. The excellence of architecture, the monuments and all antiques recognised as prides of the country are gradually made to succumb to the air pollutants which are gaining corrosive particles daily. The apprehension of the damage to the Victoria Memorial Hall cannot be ruled out.

The industrial cities and mining districts are now ravaged by the pollutants and poisons pumped into the air. The environment contains unacceptably high concentration of sulphur dioxide, nitrogen oxide, acid rain, heavy metals and trace elements including arsenic, cadmium, chromium, mercury, lead, manganese, vanadium, fluorine and barylium.

Man with his growing technological know-how is continuously endeavouring to manipulate the environment. Man is a part of nature and only one of the many species who inhabit the earth, but man treated it as his colony to exploit it. Owing to the lack of understanding of the ecological viewpoint, man sometimes fails to anticipate many of the long term results of his environmental manipulation. As a result, ecological balance is disturbed. Sometimes the problem is aggravated due to man's unwillingness to recognise the attendant problems of ecological imbalances. When ecological balance is disrupted natural resources get exposed to process of denudation and in turn man endangers his own existence.

* Largescale desert conditions as can be seen in the middle east are the authentic example of human plundering in Nature's Kingdom. The great sand dunes over civilization of Mahenjodaro and Harappa point out to the

* Thar Desert moving manacingly Desert advances as the Aravallis suffer denudation by Sudhirendra Sharma in India Today (page 164) Oct., 15, 1989.



fact that the deserts marched mercilessly into this civilization. This bears the testimony that the deserts of Rajasthan and Pakistan are not a geographical phenomena but man made.

The economic activity of man towards culmination of the growth in the economy for wealth generation for the posterities has in fact featured largely through mismanagement of natural resources ; through corporate efforts of man in agricultural and industrial development has given rise to numerous environmental problems - air, water and soil pollution with a serious consequence adversely affecting the health, and well being of mankind.

According to World Bank's report 640 million people live in absolute poverty. In India 48% of the population live below poverty level according to the estimates of the Planning Commission. Poverty and unemployment are interrelated. A hungry man does not care about killing a game in reserved forest or cutting firewood in steep slopes. The destruction of forests, the low productivity through disease and malnutrition and the increasing pressure by way of poverty stricken communities on fragile eco-systems are as damaging as pollution created by industry and similar activities of man.

Diphtheria, whooping cough, tetanus, measles, poliomyelitis and tuberculosis account for deaths of about five million every year in the third world countries while another four million are liable to severe disabilities.

The growth of population caused constant decrease in land labour ratio and forced conversion of forest lands to cultivable land - plundering the forest wealth to meet their immediate requirement of food - a glaring example of the shifting cultivation and its affect of environment.

The system within which man and society operate has biological, hydrological, technical, climatic and other facts. But unless it becomes possible to influence the behaviour of the population all hopes of saving the rapidly deteriorating eco-system will be frustrated. The individual's behaviour is controlled by the image he has of the world around him, e.g., by his knowledge, his beliefs and values. Majority of our population are poor, illiterate and live in the villages, backward regions. They have very little idea about degradation of our environment.

The success or failure of any technological innovation depends on socio-economic considerations. There is a gap between the knowledge gathered



and its application and inadequate interaction between scientists, technologists, economists and social scientists and the common people. One should not forget that we have not inherited the earth from our fathers, we have borrowed it from our children.

Future generations will accuse the people of today's world of gross negligence in failing to select leaders who have the understanding, the caring and the political will necessary to work towards the long term sustenance of life on earth. There is no acceptable excuse to-day for the national leaders for not knowing the interdependence of all life on earth.

Of course, the remedy in providing knowledge, awareness of the situation also lies to a great extent on the functioning of the corporate sector. It is not the business alone but the business of the society and the environment which create the objective for worth functioning and responsiveness of the corporate body.

A look at the objectives and past performance records of TISCO appears that broad roads with 88 km link, garden, park, 81 schools, 5 nurseries, 47 ponds, 42 wells and 118 deep tube wells, 3 community development and family welfare centres, 11 backward and rural development projects in respect of 149 villages have been made where instructions in respect of use of fertiliser and pesticides are imparted to the villagers. As a result the villagers and the TISCO appear to belong to one soul.*

There is no denying the fact that the rapid increase in population along with the growth in industrial activity of nations, unmitigated migration to urban centres leading to creation of slums, mass illiteracy and political ineptitude are some of the causes that leads to serious environmental problems of to-day. The advancement of science and technology has helped accelerating to process of environmental pollution aggravating the health thereby making it hazardous.

Trees convert carbon dioxide into life saving oxygen and help keeping atmosphere clean and healthy. The smoke of industrial chimneys and the exhaust of cars, trucks, buses, etc., release carbon dioxide which is added to the release by living organisms when they respire. A sound and healthy

* Tata Steel is not lagging behind in Social Service Company's Social Service—By Staff reporter Published in 'Paribartan' 1-7 Sept., 1989 Calcutta (pages 25-27).



tree at pole stage when growing vigorously can produce enough oxygen for 10 to 20 persons. A hectre of natural green treeland gives off between 600-650 kg of oxygen within 18 hours and uses up to 900 kg. of carbon dioxide.*

Most energy is a conversion of the energy of the sun. Electrical powers come from rivers, streams and waterfalls, from melting snow and rain. Rain evaporated from the sea by the heat of the sun. Coal, oil and petrochemicals are the fossilised remains of plants and trees which in turn have taken up energy from the sun. Trees are mini factories which convert energy of the food, fibre and fuel by the process of photosynthesis. A healthy treeland supports a number of micro systems of fungi, insects, birds and other animals which feed on each other and depend on each other. These contribute to an ecological balance of nature. Trees help retaining 60% fragile top soil, cause rainfall. The fallen leaves, branches, etc., enrich the soil forming humus—the nutrients of growth which fertilise the soil. Trees give shelter, food and protection to human, birds, insects and other animals. No birds or animals can survive without plants nor can man. Rubber, coir, lac, paint, medicine, gum and various other products apart from fruit, coffee, cocoa are the gift of trees apart from paper pulp, ply wood, match, packaging material, chemical and oils, etc., Treelands provide cool belt in hot climate. Strips of 50 to 5,000 metres wide can reduce temperature by 3° to 5°C. Trees absorb harmful and unwanted gases through their leaves purifying the atmosphere and filtering out the dust particles, soot, smoke, etc., from the circulating air. Salubrious effect of trees in curbing noise pollution is noteworthy. Thus the felling of trees, deforestation due to setting up of industries or, costly projects have caused a concern towards ecology imbalance and environment pollution. To stop it annual Vanamahotsav have started since 1950 for afforestation.

* Adoption of Trees : The Rationale paper submitted by Sri P. K. Dutta, Dist. Forest Officer (Retd) in the Seminar on 'Trees our life. Trees for beauty, organised by Vivekananda Nidhi on June 7, 1987.



Pollution of environment and biosphere may be portrayed as follows :

- (1) Biosphere (atmosphere layers near the earth and
polluted by upper layer of soil and water)

|
Smokes of petrochemical gases by increase
carbon-dioxide (CO_2) and sulphur-dioxide (SO_2)

|
by

|
┌───────────┴───────────┐
discharge of toxic substance

solid ash particles

|
causing diverse diseases

|
adversely affect the general
health and hygiene of the area

- (2) Industrialised metropolitan cities like Calcutta, Delhi, Bombay are polluted by diverse fuel burning by industries, automobiles and thermal power stations and affecting biosphere by pollutants

|
┌───────────┴───────────┐
hydrogen carbon-dioxide sulphur-dioxide nitrogen-oxide sulphur-trioxide

H_2

CO_2

SO_2

NO_2

SO_3

|
┌───────────┴───────────┐
Artherosclerosis and related
diseases (Coronary, Cancer)

- ↓
- (i) Coronary disease
 - (ii) Increase rate of cancer
 - (iii) Degenerative cardiac disease
 - (iv) Chronic bronchitis

- |
┌───────────┴───────────┐
↓
- (i) Diverse Lung disease and respiratory diseases
 - (ii) Change in the peripheric blood
 - (iii) Injury to man and plant



Again rationale for conservation must be demonstrated to succeed against conventional forms of economic development where it has been noticed a steady rise in the implicit price or social value of natural environment. The natural biological environment is an ecological system of plants and animals that form a genetic pool. A great variety of discoveries resulting in advances in scientific knowledge made it possible from this natural genetic pool. If it diminishes by loss of species, future research will be foreclosed and the geophysical science will suffer.

We are confronted with imminent contradictions—Growth of the economy and human welfare ; Use of material resources for mass consumption and quality of life and accountability to future generations.

Growth increases consumption per capita, greater longevity and better health and freedom from ceaseless toil, but inevitably destroys environmental quality. Simplistically continued geometric growth of output means geometric growth of effluents which will inevitably overwhelm the finite absorptive capacities of environmental programme. Again optimum use of material resources can only help in conservation of resources. The value analysis and change in the design can add utility to scarce resources. The chimney system of the factories if followed and an exhaust pipe to release smokes of automobiles at the back may help dilution of pollutants or switch over to electrically operated automobiles may make pollution free.

Pollutants and pollution would appear to be a necessary evil. These are associated with growth activities. No socialistic national welfare State can allow its people to starve. On the contrary it cannot allow also its people to be the victim of circumstances which have been created in the process of fostering growth to the economy through the corporate bodies. The move should therefore be made circumspectedly—on the one hand by the corporate bodies and on the other by the Government.

In Keynes's view the need to economise—to work hard, save and strive for material prosperity—had a legitimate social function only in the transitional stage of rising from general poverty through scarcity to a final satiety. Once man achieved material satiety the unnatural and unaesthetic habits of economising could happily be dropped, for they no longer would have any useful social function. Thus Keynes saw economic growth as a good thing not in itself but rather as a prerequisite for the good life for all of mankind.



The brilliant English economist E. J. Mishan postulates a sharp dichotomy of tastes between what we may call the modernists and the environmentalists. The modernists desire maximum consumption of goods and services and favour growth in industrial production and thrive on noise, confusion and excitement. The environmentalists stand willing to sacrifice many comforts and conveniences from modern production techniques in order to enjoy amenity. Mishan questions how society can reconcile the divergent interest of two groups.

Thus service oriented growth in the form of improvement in quality in contrast with goods oriented growth would expect to achieve higher quality medical care, better education and improved services which will conserve scarce environmental resources to sustain humanistic values. Social engineering of changes in relative prices is not an environmental panacea, but a pre-requisite for substantial progress against environmental deterioration.

Pollutants are menace to the mankind and question the survival and continuity of the civilization. To combat such unnecessary necessary an environmental programme must be developed. This should be fought from two directions.

Firstly, an environmental pollution control as an in-built system in the productive means must be developed along with the end use of the pollutants. Instances may be cited that selection of optimum system for power plant involves careful analysis of pollution control equipment and on capital and operating costs of the equipment. The fly ash of thermal power stations are collected by mechanical dust collectors (dry type) and fabric filters by (a) gravitational separators, (b) Bag House Dust collector, (c) Cyclone separator, (d) Electrostatic Precipitators (ESP), etc.*

Use of ash in the production of concrete is technically established. 20% of fly ash and 30% of bottom ash are presently used constructively in USA. Ash is widely used in the production of cement. Fly ash develops self hardening characteristics. Concrete made of ash showed improved workability and strength greater than all cement based concrete. The ash lime mixture creates a healing of cracks in the pavement themselves.

* A Text Book of Power Plant Engineering by P. C. Sharma, Katson Publishing House, Ludhiana (Pages 278-283).



Due to their better alkali values, they are used for treating acidic soils. Its use for agricultural purposes recently experimented in Japan and it is found that it supplies essential nutrients such as sulphur, boron, calcium and zinc which help plant growth and increases yield of corn. An average fly ash contains 44% silica, 21% alumina, 17% ferric oxide which may also be gainfully utilised with further research and productive means so as to elicit the nuisance value from the threat to environmental pollutants.

It is very pertinent to note that corporate bodies in economically advanced countries behave responsive by undertaking research to find out the cause of health hazards in the use of their products.

In mid 1960s news that preliminary research studies had linked aluminium with Alzheimer's was received with concern both by the public and by the aluminium industry. Scientists have been very keen to find evidence that aluminium is the causal agent of Alzheimer's, which strikes with stealth, robbing its victims of their memory, their judgement, their communication skills and their personality before rendering them completely incapable of caring themselves.

* Dr. Creighton Phelps, Vice-president of Medical and Scientific Affairs for the U. S. Alzheimer's Association observes : "We have identified the hallmarks of the disease pathologically to be neuritic plaques that occur in the brain and neurofibrillary tangles that occur in the neurons. The only risk factor that everyone agrees on is age".

It has been observed that ninety per cent of the victims are over 65. As the population ages and the cost of caring for Alzheimer patient increases, the need to pinpoint the factors responsible for Alzheimer's is becoming more acute.

In United States there are four million adults affected with the disease which will rise between 12 and 14 million by 2040 if preventive measures are not found and the cost of patient care currently at US \$ 54 billion per year, will skyrocket.

Dr. Phelps says "Alzheimer's is going to be a major public health problem if nothing is done to stop it". Nearly \$ 20 million has been invested since 1980 for research. Despite, internationally, Government agencies,

* Compass Number one 1991 Journal of Alean U.S.A.



medical schools and organisations having interest in aging and cognitive disorders are contributing funds, equipment and laboratory space also. ALCAN through aluminium associations in the United States, Great Britain and Australia has been supporting studies into age related disorders for over 220 years, that will unravel the tangle of conjecture surrounding the metal's role in the disease. Dr. John W. Kelly, Alcan's Vice-President, occupational health and safety says "We are supporting research so that some of the controversial issues may be resolved. There are no strings attached to the finding. Scientists contribute to expand the knowledge of Alzheimer's because such research will help find an answer ... if not in the short term, then certainly in the long term."

There are University Chairs for the study of Alzheimer's disease and neurological disorders at McGill University at Montreal and the University of British Columbia. Alcan organised Second International Conference on Alzheimer's disease held in Toronto in 1990 which brought together nearly 700 scientists from 27 countries.

Even then controversial reports have led some consumers to limit their use of aluminium products.

All human beings are born with minute amounts of aluminium in their brains. It remains to be determined whether the abnormal levels of aluminium, zinc, calcium, mercury, phosphorous and silicon found in the brains of Alzheimer's victims are a cause or an effect of the disease, or indeed have anything to do with it. The U. S. Food and Drug Administration, opines the typical dietary intake of aluminium by teenagers and adults is between 12 and 14 milligrams per day, which passes through the digestive tract and out of the body ; only trace amounts accumulate over time. The efficient blood brain barrier in humans prevents the passage of aluminium to the brain. The weak barriers make individuals predisposed to greater deposits of such trace elements.

In the welter of controversy that Dr. Donald R. C. McLachlan, Director of University of Toronto's Neurodegenerative Disease Research Centre discovered high levels of aluminium in the brain tissue of Alzheimer's victims in 1970s.

In October 1990 Dr. McLachlan stated Alzheimer's disease is multifactorial, like every other major disease, the aluminium is just one of



the factors and suggested a cautious approach to the use of aluminium, and advocates aluminium content labelling on foodstuffs and cosmetics.

It is obvious that the support of ALCAN for carrying out the research work is wholeheartedly. David Morten, Chairman and C.E.O. states "I have said again and again that Alcan, as part of the aluminium industry, needs to know the truth, and we will support rigorous research aimed at doing so. We do not believe that aluminium is a cause of the disease, but we need to have the truth uncovered as soon as possible, so that perception does not swamp reality."

Attention is also being paid to the possibility that Alzheimer's may be a hereditary trait, passed through defective genes. Environmental toxin, including iron and silicon are also being studied as possible co-factors, as are viral infections, malfunctioning neuro-chemical transmitters and nerve growth deficiencies.

Aluminium is the third most abundant element on earth, occurring naturally in water, soil and air. By virtue of its pervasive nature in the environment and of its use in a wide range of pharmaceutical and consumer related products, as well as in water purification and food preservation aluminium has been caught in the crossfire of health related conjecture of much of this country.

Today, the consensus of independent researchers and physicians, as well as government agencies, university medical schools and organisations directly concerned with Alzheimer's is that aluminium has not been shown to be a cause of the disease.

Tite Massi, engineering and maintenance manager of Alcan, estimates that Alcan Aluminium had about 50,000 tonnes of slag in storage. The determination of the Company to recycle and rouse will process 15,000 tonnes of material by 1992 to do away with the salt slag and dress dust which if exposed to dampness give off gases such as hydrogen, ammonia and methane and can possibly explode. Alcan thus provides for stringent technical and environmental conditions :

- ** The plant should be safe, reliable and ecologically in full compliance with the law.
- ** The capacity should be such as to allow the flow of the two types of waste material (salt slag and dress dust to be treated).



- ** The salt and the insoluble materials that would be the end product should be of a quality suitable for reuse.
- ** The plant was not to release any liquid or solid effluent.

It has been reported that Andrew Yule Co.—A Govt. of India Undertaking is concentrating on the pollution treatment mechanism. (See Appendix-II)

These aspects call for an overview of the thing. Again over-viewing is possible by an enlightened and unbiased approach which can only be provided by the SOCIAL AUDIT which examine the production oriented growth through service oriented mechanism and provide for tools and techniques away from pushing the pencil but by pushing the brain.

On the other hand, the approach to the problem to fight the menace by the Government refers to the prohibitive and regulative measures. The two legislations of water and air pollution control in our country refer to two statutory bodies, viz., Central Board and State Boards. The functions of the Boards are mainly to advise, plan nation wide programme, co-ordinate, providing technical assistance and guidance plan and organise training, collection and compilation of data, lay down the quality or standard, dissemination, etc. It is often sarcastically remarked that 'now a days everybody is the adviser, nobody seeks advice'. If the car is parked in a 'No Parking Zone' with impunity, the impact of rendering such advisory function can be well imagined.

The State Boards prescribe a pro forma for submission of information for obtaining no objection certificate from pollution angle which prescribe :

- (i) consideration of less polluting process alternatives and the reasons for adopting the present process ; and
- (ii) description of the process technology utilised with a flow chart (Prescribed form in the Appendix-III).



Constitutional provision on environment

There is specific reference in our Constitution about environment :

Article 48A* provides :

"The State shall endeavour to protect and improve the environment and to safeguard the forests and wild life of the country".

Article 51A** among other things states :

"It shall be the duty of every citizen of India (g) to protect and improve the natural environment including forests, lakes, rivers and wild life and to have compassion for living creatures".

In our endeavour towards humanising of society there is no business function on which the handling of social issues does not impinge. We may begin with business strategy, go through production, product design, marketing, human resources, purchasing, quality control, public relations, Government relation, community relation and corporate philanthropy. The social issues put the existing functions under stress and suggest ways in which their efficiency and effectiveness may be improved.

When pollution control equipment has been added to old processes, the capital cost is identifiable. But when new processes are designed which do not pollute, it is impossible to assess the cost of pollution control. And if the process is more efficient and pollution control is therefore profitable, the question arises whether the corporate body be assigned a responsibility debit? There is no way of isolating the SOCIAL COST.

No business investment pays off instantly. Unless the benefit appears in the same accounting period as the expense or the expense is capitalised and carried forward into subsequent accounting periods in anticipation of future benefits it appears on the books as a cost***.

On the other hand, if any mandatory provision is there, the approach is just mere compliance with the law. We think better of those corporations whose executives refuse to contribute funds illegally to election campaign. Similarly, it is not profitability to justify upkeeping the pollution free environment but the social responsibility reported by Social Audit through social measurement systems. How they are designed, introduced and used raise important questions to professionals.

* The Constitution of India

** The Constitution of India

*** Corporate Social Responsiveness : The Modern Dilemma Raymond Bauer (page 8)
Reston Publishing Company, Inc. Reston, Virginia.



Corporate social responsibility to pollution

Corporate social responsibility with regard to pollution may construe to be a civil as well as criminal liability. If it is a civil wrong it is tortious liability and the remedy is damages to all those who are affected. Of the various species of torts, negligence is the most directly relative tort in the field of pollution. The liability under the ruling of the English Court in 1866 in *Reland Vs. Fletcher* is strict and it is no defence that the wrong matter escaped without the persons' wilful act. Generally a person is liable only for a tort committed by himself or assisted or encouraged by him or for a tort in which he has participated. But the act of an employee binds his employer. The vicarious liability can be attributed against a corporate body also for a tort committed by its employee within the scope of his employment. If the corporate body has been guilty of tortious conduct, e.g., negligence in the management of a factory causing harmful pollution, can the Director or other officials be made liable to pay the damages for the tort. The Supreme Court recently in *Sri Ram Food & Fertilizer's case* in 1985 awarded damages against the company for the injury of several persons and death of one person due to leakage of oleum gas from the factory. Subsequently, the caustic chlorine plant in which the disaster occurred was permitted to restart with the following directions :

"The management of Shri Ram will obtain an undertaking from the Chairman and Managing Director of the Delhi Cloth Mills Limited which is the owner of the various units of Shri Ram and also from the officers who are in the actual management of the caustic chlorine plant that in case there is any escape of chlorine gas resulting in any death or injury to the workmen or to the people living in the vicinity they will be personally responsible for the payment of compensation for such death or injury and such undertaking shall be filed in court within one week from today".

Thus the directors and other officers become liable for corporate torts.

With regard to the intention or negligence or other mental elements of the wrongdoer, the Supreme Court of India observed :

"We in India cannot hold our hands back and I venture to evolve a new principle of liability which English Courts have not done. We have to develop our own law and if we find that it is necessary to construct a new principle of liability to deal with an unusual situation which has arisen and which is likely to arise in future on account of hazardous or inherently



dangerous industries which are concomitant to an industrial economy, there is no reason why we should hesitate to evolve such principle of liability merely because it has not been done so in England. We are of the view that an enterprise which is engaged in a hazardous or inherently dangerous industry which poses a potential threat to the health and safety of the persons working in the factory and residing in the surrounding areas, owes an absolute and non-delegable duty to the community to ensure that no harm results to anyone on account of hazardous or inherently dangerous nature of the activity which it has undertaken. The enterprise must be held to be under an obligation to provide that the hazardous or inherently dangerous activity in which it is engaged must be conducted with the highest standards of safety and if any harm results on account of such activity, the enterprise must be absolutely liable to compensate for such harm and it should be no answer to the enterprise to say that it had taken all reasonable care and that the harm occurred without any negligence on its part."

This liability is a part of the SOCIAL COST for carrying the hazardous or inherently dangerous activity.

*The criminal liability of a corporate body in the sphere of pollution has also been going up. One such important case is a recent ruling in the Supreme Court in U.P. Pollution Control Board Vs. Modi Distillery (August 6, 1987) 8 Ind. Jud. Reports (SC) 375 in the context of the Water (Prevention and Control of Pollution) Act, 1974 (section 47 of the Act). The Chairman, Vice-Chairman or the Managing Director cannot be vicariously liable unless there was a prosecution against the company owning an industrial unit.

There is of course no denying the fact that Large Corporate Business Houses are allowed to escape the consequences of the breach committed by them of the provisions of the legislations with impunity by the judiciary due to sheer negligence on the part of the legal practitioners in drafting the complaint (Modi Industries Ltd. Modi Distillery U.P. Vs. U.P. Pollution Control Board).

* Chartered Secretary Institute of Company Secretaries (Feb., 1988) New Delhi.



Chapter 7

**SICKNESS—A DELIBERATE
ATTEMPT TO SHOW THUMB
TO THE STATE OF A
PROLONGED FINANCIAL
ILLNESS**



Chapter 7

SICKNESS—A DELIBERATE ATTEMPT TO SHOW THUMB TO THE STATE OF A PROLONGED FINANCIAL ILLNESS

Corporate bodies—Industries grow to cater to the needs of the society. It has been noticed that organisations not imbued with the macro ideals but selfishly motivated enjoy the cream and make them sick so as to render them to be a liability of the State. Finding no chance to regain or recovery left at the mercy of the State—an organisation which can sustain loss very sympathetically for a few hundred or thousands of employment.

The symptom of diseases if properly diagnosed can be cured with administering medicines. Development of tools and techniques of dealing with such cancer/epidemic diseases may lead to obviate the perils and social wastage. Prevention is always better than cure. To do a right thing is preferred to make a thing right and this aspect must be emphasised.

Social audit for unearthing corporate sickness

The statutory audit with its linguistic gymnastics and ticklish attitude of looking at the health of the corporate body from a narrow 'true and fair' vision cannot be said to hold good under the de-regulated, liberalised economy where the investor, creditors, Governmental bodies, public interest group, lending institutions, depositors, suppliers, consumers, employees and people around the company need protection.

In common parlance a balance sheet reader wants to know what is not done by a corporate body rather than routine affirmation of what has been done. Everybody knows that a company is not sick. This does not require an auditor's affirmation in his report. But the sensatisation of signals of sickness is the desideratum.

Now is the time to liberate the concept of financial statement from mere monetary terms and bring it to closer to absolute level of user friendliness—a watchdog conscience of 'reinvent'.



- A sick corporate body is bereft of social sanctity in denying the services and remaining far away from the objectives for which it was incorporated thereby belies the expectations of the society.

Non-voluntary investors—public financial institutions, etc., providing flow of fund from publics in general and the creditors in particular get a big jolt when the corporate body becomes sick and the Sick Industrial Companies (Special Provision) Act in the matter of suspension of coercive proceedings for recovery of dues comes into play. They may even be called upon to forego a part of their claim or rescheduling of payment which tantamount a social waste fostering inefficiency all around.

Besides, pretension never reflects the true and fair view. But pretension as a strategy pays in the micro level at a cost in the macro level. Thus sickness though feigned is designed by corporate bodies to exploit the advantages provided by the economic legislations which is none-the-less a social cost and deserves an unveiling treatment.

The crying need of the hour is to catch the signal of sickness with professional excellence imbued with professional ethics so as to guarantee against the faulty financial management and ultimately the corporate bodies may be saved from apprehended sickness. This noble task can efficiently be accomplished by an indepth study of Industrial/corporate sickness with an insight of social audit under the changing economic environment scenario.

The corporate personality assigned with the task of wealth generation of the nation rises to the occasion with the performance of natural personality equipped with professionalism, dynamism, efficiency and ethics. While the social responsibilities of the corporate body have been noticed in producing poison free nutritive food, in providing for pollution free environment, in promising corrupt free management to ensure an enlightened and humane society, the entire issue turns to a social liability as soon as the corporate body becomes sick. The growth of artificial corporate body can ensure the growth of the natural person—its management/employees and finally the society but the reverse is not true. The growth of natural persons entrusted with the task of functioning of the corporate body does not always ensure the growth of the corporate body. There is the malaise which gradually makes it sick.



Sickness of corporate health

* Sickness is a medical phenomenon which means "affected with disease or ill health". The biological system is a complex one consisting of number of sub-systems functioning in an integrated manner. The components of system interact individually and jointly with the environment. Disorder or malfunctioning occurs which go a long way to distort the system unless adequate care and caution is taken. Such disorder is manifested or signalling of malfunctioning happens which is known as symptoms. There may be syndrome also. The symptoms are diagnosed to ascertain the disease.

The effectiveness of treatment depends upon the correctness of diagnosis. In correct diagnosis even though provides relief that is ephemeral but cannot root out the disease. The disease may also spread internally or reappear with new disorder. The whole concept of sickness in medical science applies to any system and as such also to industrial units.

An auditor is a truth finder and has extended his area of jurisdiction multidimensionally in multidisciplinary. It is no longer confined in accounts under Commerce alone. His perception pierces the Corporate Veil to prevent the national wastage and to evolve a healthy, wealthy, peaceful and pleasant corporate society. To meet this end in view the auditor has to check up periodically the corporate health. In the third world country, to seek the help of a medical practitioner is a matter of last stage. It should be borne in mind that to sustain good health periodic check up is necessary since 'prevention is better than cure'.

Again there is a big difference between 'to do a right thing' and 'to do a thing right'. While in the former case, it presupposes, efficiency, economy and effectiveness, the latter can only vouch for perfection through trial and error method at a huge cost, wastage, inefficiency and sometimes there is no return from that.

Sickness in corporate sector may arise either in the normal course of its functioning or it may be due to deliberate, motivated action of the persons responsible to it.

* Sickness in Small Scale Industries by Ashok Holdia, published in Chartered Secretary, Vol. XV, No. 12, Dec., 1985 (page 929) of The Institute of Company Secretaries, New Delhi.



A developing country cannot allow its resources to be wasted due to sickness of the corporate body. Rather, hardly it can be afforded by society. Sometimes, it is viewed that sickness in industry is a part of economic life. But in India it has been persisting and has assumed serious proportions in recent years extending to various industries and different regions of the country. The magnitude of the problem can be visualised by the fact that staggering credit of the order of thousands of crores are locked up in sick units and about 40% of the amounts due in a particular year (towards repayment of principal and interest) are recovered in that year and the balance is either rescheduled or defaulted or written off as irrecoverable.

It has been noticed earlier that the irresponsible motivated action of the persons entrusted to sanction loan and the programme of the Government agency in celebrating bonanza of "Loan Week", etc., has rendered the vital organ of the Government machinery by making the banks and financial institutions sick.

*TABLE — 12

Year	Sick units	Medium	Large	Small
1979 (December)	22,366	1,013	378	20,975
1982 (June)	28,360	994	422	25,342
1984	93,282	1,287	545	91,430

Out of 2.99 lakh units (registered with State Directorate covered by Census) 32,315 were not traceable and 66,161 closed. 20,000 units in small scale sector enjoying credit facilities from scheduled commercial banks are incurring cash losses, locking up bank funds to the tune of 200 crores raised to 3,274 crores in 1984. One lakh sick units and involved central financial investment of about 6,500 crores which affect industrial production, social imbalance and overall demoralisation. In 1987 200,000 sick units involved outstanding bank credit of 6,256 crores. Sickness increased 40%, credit increased 28%, between December 1986 and December 1987.

* Compiled from the figures available from the article published 'Rehabilitation of Sick Industrial Units in the Small Scale Sector by D. K. Pal in Chartered Secretary, Vol. XIV, No. 5, May 1984 (Page 316)



The financial institutions and banks while on the one hand have adopted a liberal approach to fulfil the basic objective of industrial development, on the other, they got bogged down in a situation causing great concern due to prevailing sickness in the assisted enterprise.

This aspect again deserves an over view. The loan/credit provided by the bank or financial institutions is not its own fund or property. It is public money and no one has the right to misuse or abuse it. The social perspective should not be lost. The deal requires a considered, unbiased and passionate approach to discharge social responsibilities.

The Economic Survey presented to the Parliament on the eve of the Union Budget for 1983-84 points out—

“According to latest data from the Reserve Bank of India, the number of large sick units (large units are defined as those having outstanding bank credit of Rupees one crore or more) increased from 382 by the end of March, 1980 to 420 by the end of March 1981. The credit outstanding to these units also increased from Rs. 1,220.9 crores at the end of March 1980 to Rs. 1,413.5 crores by end of March 1981”.

The country is facing the problem of rising industrial sickness and a huge amount of country's investment is locked in unproductive ventures. It is an acknowledged fact that sickness does not come overnight. It is a slow process and creeps in slowly and gradually. Tackling of the problem therefore requires an insight with regard to the identification of the causes, analyse the same and to take preventive measures so that sickness does not recur and simultaneously to put the sick units convalescing for recovery and rehabilitation so that it becomes viable and can discharge its social responsibilities after coming back to the social mainstream.

Thus at the outset, the causes of sickness are to be unrevell'd which are not far to seek. These may be reckoned at within and without.

Within (Internal)*

- (a) Under estimation of the project cost
- (b) Absence of the availability of the critical information having a vital bearing on the project.

* The Sick Industrial Companies (Special Provisions) Act, 1985 : An appraisal by B. B. Virmani. Published in the Chartered Secretary, Volume XVI, No. 10, October, 1986 (page 786)



- (c) Delayed implementation/escalation of cost
- (d) Inadequate management
- (e) Sub-Optimal Plant/utilisation
- (f) Poor quality of staff management
 - (i) excessive conservation
 - (ii) excessive complacency
 - (iii) poor functional control
 - (iv) excessive centralisation
 - (v) authoritarianism
 - (vi) weak board
 - (vii) weak watchdog functions
 - (viii) excessive commitment to policies which worked well at one time but are no longer appropriate
 - (ix) poor financial/poor marketing management control and diversion of funds/inadequate market forecast and sales planning
 - (x) poor inter personal and inter departmental co-ordination and collaboration intrigues, dissensions, scapegoating, interdepartmental squabbles, organisational policies, etc.
- (g) One man rule
- (h) Lack of management depth
- (i) Poor industrial relations including existence of pampered labour
- (j) Bureaucratic management
- (k) Unplanned top management
- (l) Inappropriate management
- (m) Faulty choice of product/technology/skills and
- (n) Inadequacy of working capital

Without (External)

- (a) Adverse Government policy/price control
- (b) Recession/economic conditions
- (c) Competition from market/competitors



- (d) Shortage of inputs
- (e) Management succession problems
- (f) Regional phenomenon including local environmental factor
- (g) When sickness is an industrywise phenomenon
- (h) Technological changes
- (i) Power cuts and
- (j) Delayed financial assistance.

Sickness of our industrial unit, culminating whether the loss of economic viability, incurring of financial losses or failure in meeting payment obligations causes immense problems for the society. Many people who depend upon the unit for their livelihood face an uncertain and perhaps unhappy future. Keeping in view the social dimensions of sick industrial units, it is necessary to ensure that this scourge of industrial sickness does not take its toll in the form of economic social hardships.

Failures of industrial units reveal nature of problems, viz., managerial, technical, financial, economic and political. Inadequate quantum of managerial input embroiled in unhealthy and dishonest practice of management aimed at personal gain at the cost of the corporate industrial unit gives rise to managerial problems.

Non-feasibility of production process, non-commerciality of products which are inherently defective and non-availability of technical personnel responsible for innovation or suitable substitute give rise to technical problems.

Wrong capital structure, inadequate funds for working capital or inadequate provision for fixed capital replacement can cause perennial problems for a unit. The recent policies aimed at promotion of small scale enterprises with only 10% of total capital requirement cripples with a debt right from its inception. The escalation costs in an inflation prone economy with depreciation on historical cost providing problems of replacement compel to continue with worn out machines where maintenance expenses are disproportionate and productivity is subnormal. Profitability dwindles and the unit falls a victim to the forces of competition.

Acquisition of land at a low price and procuring scarce raw materials at controlled price or the aspiration to hold the chair of Managing Director/



Director and for this purpose possibility of diversion of funds may be the motivating factor to set up industrial units for enjoying the blessings of Government may construe to be political factors. Such units prefer to dispose of the licence or scarce materials at a black price not to talk of any industrial activity.

The sickness of industrial units in the corporate sector has assumed a socio economic problem which gives rise to the following questions :

- (a) What is the definite criterion for failure of industries?
- (b) Why some companies operate successfully while some fail?
- (c) What are the soluble measures to prevent it?
- (d) What mechanism can be formulated to predict sickness and disruptive forces?

Another way of looking at the problem and common causes of the corporate sickness may be stated as

- (a) Cultural distortion, i.e., non-accountability and demotivational forces at work on the employees
- (b) Static behaviour and failure to respond to external environmental changes
- (c) Diversification without proper research and development work as the base
- (d) Poor employee morale and disgruntled working force
- (e) Poor marketing without adequate market research and study of consumer behaviour
- (f) High leverage position
- (g) Fraud and misfeasance
- (h) Faulty planning and technology transfer
- (i) Political interference.

In 1972 the committee on the rationalisation of returns in respect of small scale industrial advances classified unsatisfactory units as irregular, sick and sticky. Sick units were defined as those whose accounts were chronically irregular and required a study to evolve a nursing programme and a close follow up.



The small industrial development organisation defined sick unit as one having less than 25% capacity utilisation. But a unit may be sick at 60% utilisation. It is well known that the break even point of scales varies not only from industry to industry but also from unit to unit depending on location, technology and management.

There was a hue and cry for amalgamation of sick units with healthy undertaking in 1977 when a sick unit was considered to be a unit whose accumulated losses exceed 50% of the aggregate paid up capital and reserves and the company is not financially viable. This was of course for tax incentive purpose.

A team appointed by the State Bank of India in 1975 while evaluating the role of the bank in the effective growth of small scale industries defined sick units as one who fails to generate internal surplus on a continuing basis and depends for its survival on frequent infusion of external funds.

The Reserve Bank of India in its advice to commercial banks in November 1975 defined a sick unit as one which incurred cash loss for one year and in the judgement of the bank is likely to continue incur cash losses for the current year as well as the following year and which has an imbalance in the financial structure such as Current Ratio of less than 1:1 and worsening Debt Equity Ratio (Total outside liabilities to net worth).

The State Financial Corporations have defined the sickness as any unit which has failed to pay three consecutive instalments of interest and or principal has been classified as sick. The National Council of Applied Economic Research defined sickness as financial viability consisting of three inter dependent elements, viz., profitability, liquidity and solvency represented by cash profit or loss, net working capital and net worth. Positive trend sounds strength while negative trends indicate sickness. Two out of three negative trends would be a case of incipient sickness and three negative means sick.

Sometimes it is feared that sickness is being deliberately feigned and created in units which have availed of public finance from the financial institutions and banks in the hope the Government would come to the rescue of sick units by way of various concessions and further financial assistance. This apprehension is confirmed by the fact that the incidence of sickness in units not assisted by financial institutions and banks is far less than that in assisted units.



There is no denying the fact that sickness except for accidents for which the industrial units are insured is never a sudden phenomenon and an industrial unit before it actually becomes sick passes through various stages, viz.

- (a) Gradual decline in profitability but increasing profits
- (b) Decline in profits along with declining profitability
- (c) Net losses without cash losses
- (d) Cash losses managed by short term measures
- (e) Uncontrolled cash losses.

Sickness finds its origin from inherent weaknesses which can be detected by several mechanisms applied on industrial health—

- (i) Monthly productive reports
- (ii) Thorough project appraisal
- (iii) Periodic progress report
- (iv) Annual Balance Sheet and Profit and Loss Account
- (v) Periodical inspection
- (vi) Reports of nominee directors
- (vii) Informal discussion with management of the industrial units from time to time.

Again weakness of the weaknesses is that the technological appraisal conducted by the institutions is generally not up to the mark and is left largely to chance. Project costs are exaggerated but there are repeated overruns in most of the cases which are financed by the institutions inspite of all the undertakings to meet shortfall given by the clients. The task assigned to those who are responsible for financial and management appraisal hardly possess adequate experience, competence and requisite qualifications. The defect in decision making without due observance of the steps and optimum condition prevent a serious and meaningful deliberation.

It is obvious that the data or information furnished through reports and returns portrays the periodic health bulletin of the corporate body. Sometimes spurious or concocted figures are furnished which may provide for a misleading picture.



However, the importance of the study of the periodic progress reports and its analysis in an attempt to reveal the state of health and to draw meaningful conclusions need no emphasis.

The trend analysis with the help of charts and Ratio Analysis are some of the important tools for identification of indicators to forecast corporate sickness. Needless to state that it is not a single factor but basket of factors which contribute to the protracted corporate sickness.

A. Physical Indicators

- (i) frequency of plant breakdown and equipment
- (ii) decline in capacity utilisation
- (iii) decline in technical efficiency
- (iv) defaults in payment of statutory dues and decline in financial ratios like debt equity ratio, current ratio, liquidity ratio, profit to sales ratio, return on capital ratio, etc. Monitoring of these factors would reveal the impending sickness.

***B. Graphic Sickness**

A trend line may be drawn of financial, operational and technical parameters. Solvency ratios are compared between healthy and sick units and the trends are applied for a period of years in the selected units. Long term trends or primary trends and short term trends or secondary trends are the tools for the trend analysis technique for monitoring the sick or failing corporate bodies.

Financial ratios or primary trends are the true indicators of corporate health. It must be borne in mind that the ratio analysis provides for the two major aspects, viz., (i) reliability and (ii) predictability.

Thus, these two facets when combined help in predicting or indicating the industrial sickness with better precision objectively. The following ratios in this regard may be indentified as indicators :

- (1) Profit before tax/Share capital and reserves
- (2) Total Current Liabilities/Total capital employed

* Sickness Prevention : Role of Institutional Directors by Dilip Goswami, published in the Chartered Secretary, Vol. XII, No. 6, June, 1983 (page 459) of the Institute of Company Secretary of India.



- (3) Total Liability (Current-Deferred)/Total Capital employed.
- (4) Total current Assets/Total current Liabilities.
- (5) Inventory/Sales
- (6) Share capital and reserves/Total liabilities
- (7) Sales stock consumed/Profit before interest and tax
- (8) Profit before tax and interest/Profit before tax
- (9) Sales—Stock consumed/profit before tax
- (10) Inventory and Sundry Debtors/Sundry Creditors—Loans & Advances
- (11) Salaries and wages/Sales

A corporate industrial unit desiring and seeking ways and means for revival approach the financial institutions, import expertise or surrenders to Government to revamp the unit in the interest of the employees, economy and the country. The following ratios can predict sickness as well as revival :

- (1) Profit before interest, tax and depreciation/Sales
- (2) Profit before interest, tax and depreciation/Capital employed
- (3) Profit before interest, tax and depreciation/Total liabilities
- (4) Profit before tax/Sales
- (5) Profit before tax/Capital employed
- (6) Profit before tax/Total liability
- (7) Cash and Sundry Debtors/Sales
- (8) Profit before interest and tax/Capital employed

It is true that the need for prevention of sickness is more important than taking measures to cure when the sickness is already serious. The latter exercise is costlier than the former in the like manner of doing a right thing than doing a thing right.

This sickness problem then gives rise to the approach to nursing the unit. Banks, financial institutions, Government, labour and management come forward for the revival work within a time horizon. This prompts that



the units which are expected to be viable need be nursed and this call for selectivity in the matter of choice of units to be reviewed. For this purpose determination of SWOT, i.e., Strength, Weakness, Opportunities and Threats on the basis of past operation of technical, financial or economical and managerial is necessary. The feasibility of operation within the prevailing business environment needs investigation

- (a) feasibility/capability of operating on a continuing basis
- (b) absorption of output by the market
- (c) remunerative of prevailing price
- (d) consideration of changes of channel of distribution and market research
- (e) availability of raw materials to maintain the level of production
- (f) competence and efficiency of management
- (g) constraints of power, transport, space, etc.
- (h) requirements for revival expenses, i.e., cost of repair and renovation of plant and equipment, other essential preliminary expenses for need based working capital, capital expenditure for balancing equipment for modernisation
- (i) accumulated liabilities and past losses as are in deficit in the current operation in terms of input and output
- (j) workers' dues including P. F. & E. S. I. contribution and statutory obligations like taxations, excise, electricity and secured or unsecured creditors.

During the process of nursing the sick unit, projected income statement, cash flow statement, working capital requirement, balance sheet, Fund requirement and means of financing, capital expenditure, package relief from financial institutions or banks or Government and management input and other proposed corrective measures in non-financial areas deserve attention. The experience is that once a unit is sick, is always sick and this makes a bounden duty to check up the environment where the unit is operating so that good public money is not thrown after bad and a further wastage is stopped.

It is crystal clear that business activities performed through industrial corporate bodies are combination of a few Ms. — men, material, money,



method, market and management. Of course, management inadequacy of which is the most serious handicap followed by materials and money.

As it could be noticed that sickness and feigned sickness are the two aspects of corporate behaviour which are manifested because of inherent weakness or deliberate actions of the corporate management lured by the love of individual or sectional objective at the cost of corporate or national objectives.

Corporate sickness dealt with statutorily

Such situations were apprehended as would be evident that section 15 of the Industries (Development & Regulation) Act, 1951 provides that (A) when there has been or is likely to be substantial fall in the volume of production which having regard to the economic conditions prevailing, there is no justification; (i) there has been or likely to be a marked deterioration in the quality of production which could be avoided, (ii) there has been or is likely to be rise in prices of the products for which there is no justification ; or (iii) there appears to be necessary to take action to conserve any resource of national importance, and (B) there has been reason to opine that the industrial undertaking is being managed in a manner highly detrimental to the industry concerned or public interest, the Central Government may make or cause to make a full and complete investigation into the circumstances of the case by such person as may be appointed for the purpose.

Again section 15A of the said Act provides that

- (i) when a corporate body is either being wound up by or under the supervision of a High Court;
- (ii) the business of such company is not being continued,
- (iii) the interest of the general public and in the interest of production, supply and distribution of the articles relating to the undertaking, the affairs of the company be investigated to explore the possibility of running or re-starting the same with the permission of the High Court.

The person or body of persons appointed to make any investigation may choose one or more persons possessing special knowledge of any matter relating to the investigation to assist him or in holding the investigation and shall have all the powers of a civil court under the Code of Civil Procedure



for the purpose of taking evidence on oath and of enforcing the attendance of witnesses and compelling the production of documents and material objects and the person or body of persons shall be deemed to be a civil court for all the purpose of section 195 and Chapter XXV of the Code of Criminal Procedure.

The Central Government if satisfied after investigation under section 15 that action under section 16 is desirable, it may issue such directions to the industrial undertaking for the following purposes :—

- (i) regulating the production and fixing the standard of production
- (ii) requiring the undertaking to take steps to stimulate the development of the industry as the Central Government considers necessary
- (iii) prohibiting the undertaking from resorting to any act or practice which might reduce production capacity or economic value
- (iv) controlling the prices, or regulating the distribution of articles which have been the subject matter of investigations.

Again if the Central Government is of the opinion under section 18FA after the investigation under section 15A of the I. D. R. Act, 1951 that there are possibilities of running or restarting the undertaking, the Central Government being empowered by the High Court on application authorises any person or body of persons to take over the management for a period not exceeding five years. Further extension of two years each up to a maximum period of 12 years is permissible with the permission of the High Court on application.

Under section 18A the Central Government when satisfied that the undertaking is being managed in a manner highly detrimental to the interest of the industry as well as public interest or failed to comply with the directives issued under section 16, it may by notified order authorise a person or body of persons to take over the management for a period of five years, extension of which for a period of 2 years at a time subject to a maximum of 12 years can be granted but a copy of the order must be laid before both the Houses of Parliament as soon as possible.

Despite, if the Central Government is satisfied from the documents or other evidence in its possession, that the persons in charge of the industrial



undertaking have by reckless investment or creation of incumbrances on the assets of the industrial undertaking or by diversion of funds brought about a situation which is likely to affect the production and that immediate action is necessary to prevent such a situation or it has been closed for a period of not less than three months (whether by reason of voluntary winding up of the company owning the industrial undertaking or for any other reason) and such closure is prejudicial to the concerned industry and the financial condition and the condition of plant and machinery are such as to re-start in the public interest, it may by notified order to take over the management of the undertaking without investigation.

While it may be conceded that an element of subjectivity is always involved in the formation of such an opinion, there are a number of judicial pronouncements that the existence of circumstances from which the inferences constituting the opinion as the *sine qua non* for action, are to be drawn, must be demonstrable and the existence of such circumstances questioned must be proved at least *prima facie* and the principle of natural justice be ensured with an opportunity of being heard.

After the take over of management, the Central Government has necessarily to ensure that the objective of take over is being achieved. The alternatives which are available to the Central Government are either to decide to sell the undertaking as a running concern or it may decide to prepare a scheme for the reconstruction of the company or to nationalise it.

During the period of taking over it may be noticed there is an inflow of public money through different financial institutions with due compliance of the statutory provisions of Nominee Directors, etc., keeping in view the objective of making the corporate body viable and outliving the social objectives. But hardly the expectations are achieved which are too short to cultivate social liabilities and the philanthropic idea of becoming humane overshadow the business efficiency and as a last resort the question of rehabilitating the employees and their families become important. The question of social cost also becomes apparent since a pensionary relief would appear to be economical than indulging in wastage and hardly there is any instance of revival or retrieval from this sickness. But reconstruction goes for merger, amalgamation and take over bid. The operation for this purpose in order to be effective calls, for an effective co-operation in sharing the



burden and responsibility of all concerned including the Central Government, the State Government, the Labour, Financial Institutions, Banks, Management and Shareholders.

A tax incentive scheme was incorporated in the Income Tax Act, 1961 under section 72A whereby the amalgamated company, i.e., the healthy unit, could get the benefit of set off and carry forward of all accumulated losses and unabsorbed depreciation of the sick unit subject to fulfilment of the conditions laid down. The Finance Act, 1978 made an effort in removing the inherent limitation of the provisions of section 72A in regard to apprehensive flop area of amalgamating first and seeking relief thereafter by providing that actual relief be granted by the Central Government after satisfying that the amalgamating company was not financially viable by reason of its liabilities, losses and other related factors immediately before amalgamation, the amalgamation was in public interest, and compliance with such other conditions as prescribed. The conditions may be relaxed if the sick units are engaged in production of mass consumption goods of high priority and the unit is located in any rural or backward area with a population not exceeding one million.

The twin aspects of sickness (a) revival and (b) loss of revenue deserves attention. It should be the bounden duty for the authority to assess objectively the reasons of sickness and establish criteria thereof. Ascertaining whether sickness is due to deliberate mismanagement, quantifying the loss of revenue and a cost benefit analysis is considered essential before granting any relief to a bid for recovery.

Achievement of capacity utilisation, sales, employment, export targets and settlement of liabilities of the creditors should be the guiding factors. An atmosphere of sympathy, understanding with nationalistic fervour need be cultivated so that the healthy unit feel encouraged and prestigious to take over a sick unit.

Retrieval from sickness

If cannot be ruled out that a sick unit will require sympathy. Some units feign sickness on a perpetual basis for becoming eligible for cheap finance. An educative system is the requisite for sick unit that cheap and easy money is not a panacea for all types of sickness and they do not have any moral right to abuse the public money.



In this perspective, the pattern of sickness of the corporate bodies in the public sector deserves attention. The main planks of criticism against the functioning of Government companies are (i) mismanagement, (ii) heavy loss, (iii) lack of dynamism at the top and (iv) less adaptability although under industrial policy resolution 1948 and 1956 in order to achieve socialistic democratic republic more and more emphasis has been given to this sector. In 1952, Rs. 29 crores was invested in 12 Central Government undertaking *which in 1985 was raised to nearly Rs. 30,000 crores in 200 central public sector undertakings. It is often argued that the Central and state public sector undertakings have to fulfil the socio economic objectives and as such profitability criteria cannot be the only parameter for appraisal. The inherent weakness in the organisational set up is the root of sickness which warrants streamlining.

There is predominance of ex-office directors in Government companies not less than two-thirds of the total strength which is bereft of professionalism but emphasising bureaucratism that needs radical reform. Selection and empanelling of Managing Director and non-official Directors need be made in line with Industrial houses so as to combine the benefits of professional and firmness of conviction of bureaucratism. A sense of devotion, dedication in the talent can outlive the situation. A uniform recruitment policy may be pursued to reap the desired result. Incentives to attract talented as well as competent personnel should be provided and adequate perquisites without discrimination would be the desideratum. The change in the Government with change in the party in power reflects the personnel policy where overstaffing is of no concern but to satisfy the egos only so as to utilise it as a rehabilitation centre. As a result overhead or fixed expenses are disproportionate to the value of output. Pragmatic view with cost consciousness is of no avail because of resistance of the workers/employees union. The appraisal pattern of the performance of public undertaking engaged in socio-economic activities should be developed to suit the varying conditions since these are not commercially oriented. The rating cannot be on economic rate but on socio economic rate.

Posting of civil servants at the helm of the affairs as the Chairman/Managing Director can hardly deliver the goods. Knowledge and experience

* Public Sector Sickness : Diagnosis and Remedies by P. S. Sapra, published in Chartered Secretary, Volume XV, No. 6, June 1985 (page 451).



of running multidisciplinary organisation is lacking and as such it is hardly conducive to the efficient functioning. Exposure to the modern tools and techniques like Project Evaluations technique, Critical Path Method and its impact on delayed completion of project under the influence of inflation with escalation in cost is also conspicuously absent. Mechanised equipment like Micro computers and management information system for proper monitoring and appraisal are hardly used. Patronisation for diversification is lacking. Provision for representative of politicians as members of the board saps the initiative and result oriented approach.

Involvement of employees by subscribing to the share capital, discontinuance of appointing inexperienced public servant or disgruntled politicians as a whole time Chariman or part time directors which are contributing to mismanagement may be explored and professionalism be stressed upon thereby precluding bureaucrats with no aptitude for business management. It is indeed a very pertinent point to emphasise that the Company Secretary who is the eyes, ears, nose or in other words the sensory organs of a natural body serving the corporate body should be a member of the Board of Directors so as to enable him to participate in the policy formulation and decision making. The Nominee Directors' role also demands a significant role. The psychia role conflict being removed and fruitful collaboration with healthy business units with safeguards to prevent dilution of erosion of controlling interest of Government can ensure profitability in sick public undertakings.

Of late, it has been noticed that a section rather an affluent section of the economy escape the criminal consequences by their bargaining power primarily with pecuniary affairs. The acid test is going on with the \$ 470 million issue relating to Bhopal Gas tragic victims. Likewise industrial corporate sickness has been gaining a profitable approach with the inflow of public money as financial assistance than closing them—a criminal offence—a social evil.

Keeping this aspect in mind and to combat the evil, the Sick Industrial Companies (Special Provisions) Act, 1985 was passed. The Act provides reference to the Board of Industrial and Financial Reconstruction (BIFR) as soon as the symptoms of sickness are found to exist.

On receipt of a reference or on its own knowledge the Board may itself make an enquiry (S. 16) or get it conducted by an Operating Agency which



include public financial undertakings like IDBI, IFCL, ICICI, IRBI and IFIS or such other institutions as may be notified by the Government in this behalf. The objectivities are to find out the possibility of making the Net Worth practicable. If positive and the Board is satisfied then a scheme is prepared by the Operating Agency within 90 days from the date of the order (S. 18). The scheme may be for reconstruction, revival, rehabilitation, amalgamation, sale or some other timely measures. The scheme as prepared is sent to the sick company and Operating Agency for suggestion for consideration of the Board. In case of amalgamation, approval of the scheme of the transferee industrial company is necessary [S. 18 (13)].

The degree of sickness varies. The problem becomes acute when there is potential sickness which is identified as erosion of 50 per cent or more of its peak net worth during the preceding five years.

The board of directors is under obligation to refer to the BIFR (Board of Industrial and Financial Reconstruction) within 60 days of finalisation of the audited accounts or within 60 days of forming an opinion that the company had become sick. The Central Government, Reserve Bank of India, State Govt., Scheduled Bank or Public Financial Institution having an interest in the company if so satisfied and formed an opinion may make such reference [S. 15 (2)]. The reference is for determination of measures/scheme for financial assistance by way of loans/advances/guarantees/reliefs/concessions by Central/State Government or financial institution (S. 19).

The important consequences of an undertaking becoming sick may be reckoned at :

- (i) Right of secured creditors are destroyed
- (ii) Overriding of rights of shareholders and suppliers
- (iii) Minority's right in case of amalgamation is crippled (special resolution instead of normal 3/4 majority)
- (iv) When management is taken over, no resolution with shareholders, suspension of contracts up to 2 years subject to a maximum period of seven years
- (v) Jurisdiction bar in making reference to courts
- (vi) No proceeding for winding up.



The massive attack is lowering down the prestige in the esteem of suppliers, creditors, etc., as soon as an undertaking earns the stigma of sickness. The obvious consequence, therefore, is a death signal with no return as soon as the bell of sickness rings.

The preamble of the SIC Act, 1985 states that it is not for securing the timely detection of sick and potentially sick companies and to take preventive, ameliorative remedial and other measures. Thus it excludes companies owning SSI units where the inflow of public money is massive. The extension of monetary limit by Government under the coverage of SSI units which often become sick needs treatment like the units covered under IDR. The magnitude of the endemic disease is evident from the fact that of 83,590 sick industrial undertakings in the country as on June 30, 1985, about 80,000 units* belonged to SSI units. The anxiety over industrial sickness expressed in the Economic Survey for the year '86-87 presented in Parliament on 25.2.87 by Sri Rajib Gandhi, Prime Minister, is reflected from the financial statistics as in Dec., '85, the outstanding dues to banks from sick industrial units amounted to Rs. 2,980 crores and that there were about 8,569 medium and large scale units in the non-viable list. In the small scale sector it is assessed that about 1.18 lakh units are non-viable financially and that bank advanced to the tune of Rs. 1,080 crores are locked up.

The report of Bureau of Public Enterprises (1983-84) reveals that out of 223 Central Government public undertakings 110 units had net deficit of which 59 units accumulated losses which wipes out the entire capital and reserves. On the other hand 37 Tamil Nadu Government companies with an aggregate paid up capital of 115 crores piled up total loss of 108 crores as on March 1983. The Karnataka State Sector companies incurred loss of Rs. 38 crores during 1983-84. Same is the position of State units in Kerala, Andhra Pradesh, West Bengal, Bihar and other States. The total loss suffered by the State units is to the tune of 5 to 10 per cent of their annual budget.

The SIC Act does not cater to identify and treat the public enterprise as if it were that the king cannot do any wrong**.

* Sick Industrial Units Bill—an assessment by Dr. G. Prasad & Miss Y. S. Kiranmoyi, published in Chartered Secretary, Vol. XV, No. 11, Nov '85 (page 846) of the Institution of Company Secretaries of India.

** Reconstruction of Sick Companies by P. B. Menon published in the Chartered Secretary, Vol. XVII, No. 7, July, '87 (page 507) of the Institute of Company Secretaries of India.



The sovereignty of shareholders has been tested to be a myth. How far the initiative of shareholders in widely held company can bring about a change in the management of a company for revival from its sickness is yet to be tested in the socio-economic perspective of this country.

The system of forewarning to the corrective steps is no doubt a laudable approach but the intention is marred by delay in decision making. The essence is no spot decision rather than allow the things to drift. It has been witnessed that in most of the sickness areas failure to attempt technological revamping of the corporate bodies in modernising and diversifying for the survival against the tirade of recession and sickness is the important factor. Lack of innovation in the technology know how against the competitors signify succumb to the obsolescence and non-adjustment to changing environments. The tendency always is to become sick and to put pressure on the Government either to nationalise or take over the sick units. Again sickness brings in its trail various concessions, e.g., lower rate of interest, sales tax loans, deferment of electricity dues, waiver of penalty, exemption from power cuts, allowing to sell surplus land and similar relief which would appear to be an insult and onslaught unless the concessions are properly utilised to bring back to the mainstream of production and service so as to outlive the social responsibility of consumerism. It may be thus appreciated that grant of excessive relief to sick units renders sickness rather attractive and is an inducement to even healthy units to follow suit. This necessitates establishment of parameters for granting concessions and additional working capital by financial institutions.

A developing country while ushering growth gets its propensity of consumption higher with susceptible to devoid of moral values and ethics. Thus manpower bereft of morality predominates—sickness inherently occurs which finds its manifestation ubiquitously in inefficient and incompetent management thereby making the corporate body sick. This often foils attempts for revival and rehabilitation because the intangibilities like confidence, faith and credibility of the corporate body is being questioned. Time value of money has great significance in investment decisions must be borne by the borrowing company as well as the lending financial institutions. A sick unit like a sick individual is prone to perpetual threat of attacks. The sick units are troubled by workers for higher wages, creditors for payments and customers for more credit and by delayed payments. Erosion of current assets takes place. The total needs for the revival



programme—technical, commercial, financial, personnel have to be thoroughly understood before the scheme is undertaken for a complete assistance package in order to fizzle out any stumbling block in the process of revival.

Rehabilitation packages are serviced by consoriturum arrangements among the financial institutions including banks. This calls for competence of personnel of both the sick units and financial institutions to understand the problem which can be done by frequent conference. Nominee Director and his efficiencies and competence with proven calibre and wide experience in the profession can protect its own money—public money and revive growth. Their role is not mere academic examiners of periodic performance reports but to penetrate with constructive analytic approach. The Nominee Director is the Watch Dog and mouth piece like an auditor in respect of the sick units to forewarn, ringing the alarming bell and to suggest ways and means to remove the barriers of revival. The role of Nominee Director need be more dynamic, practical than dormant more akin to the parent-child philosophy of perpetual guidance correction and protective backing.

The irredeemable feature of the SIC Act regarding winding up of non-viable companies and to conduct proceedings against personnel guilty of misfeasance, malfeasance or non-feasance or breach of trust in relation to sick company are only appealable to the Appellate Authority constituted under the Act and not before any court (S. 26). Some provisions of Income Tax Act and MRTP Act are not applicable to matters dealt with by the SIC Act. The jurisdiction of the Criminal Court will be as provided in the Code of Criminal Procedure, 1973 (Ss. 33 & 34). Such discriminatory provisions are yet to stand the scrutiny of the Highest Courts of the country with regard to the Constitutional validity. But for times without saying it should be borne in mind that a corporate body coming into existence to cater to the needs of the community has no moral right to be unreasonably sick. If situation happens beyond control, its ardent intention should be to get the ills remedied as quick as possible without causing injury and insult to public contributions—public money as otherwise it has no right to exist and the men behind the screen need be exposed and punished. Such public good can be performed well by a process of social audit in removing/lifting the corporate veil only.

Sick industrial corporate bodies would therefore pose two important factors (i) salvageable and (ii) non-salvageable.



Non-salvageable characteristics may be :

- (a) power deficiency or shortage of finance, poor law and order situation, poor management
- (b) creditors, unions, financial institutions, Government agencies, etc., are hostile
- (c) less freedom to change to policies and commitments, e.g., expansion of capacity or diversification or plant location in a certain pricing policy
- (d) beset by a short cost price squeeze due to rising input prices and falling output prices, or strong price competition in a homogenous product industry and
- (e) adverse shift in Government policy affecting the unit, e.g., price control or liberalisation of much cheaper competing imports or restriction of essential imports of raw materials.

Salvageable characteristics are :

- (a) Management weaknesses to be revealed by management audit particularly of
 - (i) detailed annual income revenue expenditure and capital expenditure budgets
 - (ii) periodic information on budgets and actuals
 - (iii) rewarding or punishing managers are budgetary performance
 - (iv) break even analysis, R. O. I., sensitivity analysis, or optimistic and pessimistic estimates
 - (v) ABC analysis for inventory control
 - (vi) debtors analysis and internal audit system
- (b)
 - (i) dynamic, innovative, aggressive and flexible management
 - (ii) static, conservative, passive and rigid
 - (iii) well information regarding external environmental factors like Government policies, industrial situation, technological and market developments and policies and strategies of competitors
 - (iv) committed management to meritocracy, fairness in dealing with staff, professionalism and result orientation.



Availability of legislative provisions apart from the effectiveness of any action programme to deal with the problem would depend upon the competence and efficiency of operating agencies, viz., public financial institutions including banks to provide better inputs in project appraisal to reduce growth of sickness and evolve appropriate system to monitor the health of assisted units. The attack to combat sickness must be made not only against management incompetence but also against other causes, viz., excessive labour force, industrial strike, technical excluding obsolescence, marketing or commercial problems, financial/liquidity problems and faulty accounting. A little judicious use of funds would have ensured the sure recovery of the curables and a big boost to the economy. Funding sick units cannot be pragmatically followed indefinitely for mere protecting the jobs of the employees. The ability to see beyond one's nose is the crying need of the hour to put an end to further damage which a developing country like ours cannot afford.

The situation is vulnerable. It is a naked truth that units are sick—in the course of events or deliberately. Incentives for benefits are provided for becoming sick. Pretention of deliberate sickness with enjoyment of benefits does not bring any social stigma or moral barrier. Benefits for remaining healthy are little rather taxed. The statutory provisions or social measures are no check to availing double or multiple benefits for the same cause from different States by adopting unscrupulous means with corrupt managements of the concerned corporate bodies. Whatever benefits an Operating Agency may provide, it is concerned because it is public money. Thus the impending necessity is :

- (1) to abolish multiplicity of insititutions and formation of a unified All India Development Finance Agency, viz., Industrial Development Bank of India having regional branches, e.g., Eastern, Western, Northern and Southern, with jurisdictions and functioning under Federal structure for providing regional balancing, growth and proper accounting.
- (2) to develop a unified State level development finance agency with branches in key growth areas of the districts to be manned by competent experienced and professional personnel.
- (3) to abolish multiplicity of banks in the same area. Banks after nationalisation are the Agents of Govt. The network should be of a National bank abolishing identity of individual bank which will



ameliorate in functioning. The competition or race for expansion for employment without justification and sanctioning of loan—public money thereby causing sick and abusing the trust of the public would become unnecessary.

- (4) to issue industrial licence, MRTP Clearance, capital goods clearance, allocation of raw materials and other resources, import licence—only after receiving the clearance from Industrial Development Bank of India who will consider the marketing, technical and financial aspects of the project. These projects may be participated by LIC, UTI, GIC and State level financial institutions after being authorised by the IDBI.
- (5) to issue guidelines for compliance providing time limits for completion of the project, conditions of disbursement of management structure convertibility clauses, events of default, security, repayment schedules, financing overruns, rescheduling loans, declaration of dividends above a certain limit, appointment of key personnel, investments and deposits.
- (6) to strengthen the role of Nominee Directors and provision for MIS on production and Sales (quantity and value) capacity utilisation, cash generation, cash flow statement. Default and overdues, industrial relations, bottlenecks in production and sales, changes in top management, working capital.
- (7) to establish decision Audit Machinery for conducting audit of the efficiency and decision of IDBI, SIDC and recommend for promotion/demotion on performance.
- (8) to arrange for all India recruitment by an entrance test and induction of qualified and experienced professionals at senior levels.

There are twofold stages of corporate body—healthy or sick. During the transition from healthy to sick phase, internal strains become obvious. The stress is strong enough to tilt its operational balance, creating disorder and dwindling performance. Finally the unit collapses. Behaviour of information measure and financial ratios are examined in order that the operation of the mechanism is empirically supported.



The information measure is usually expressed as the expected information content of the message and is denoted as the entropy of the distribution. It is defined as :

$$- P \log P - (1 - P) \log (1 - P) ; 0 \leq P \leq 1$$

where the probabilities of the message stating occurrence of the event is P and non-occurrence of the event is $(1 - P)^*$

Distortion of corporate culture and stagnancy of its operation are the primary reasons of sickness.

Sickness phenomenon indicates resource misallocation, predictability of sickness can ensure social resource allocation. Statistical tools like regression analysis dichotomous test and multiple discriminate analysis (MDA) are used. In a sickness study two universes are sick and healthy units and the characteristics are financial ratios. Linear function** takes the form

$$Z = A_1X_1 + A_2X_2 + \dots + A_nX_n$$

where Z = total score, A_1, A_2, \dots, A_n = Discriminate functions, X_1, X_2, \dots, X_n = Various ratio values.

By comparing the scores of healthy and sick units the cut off point is ascertained.

E. I. Altman used the following model of MDA to predict failure of corporate enterprise.

$$Z = .012 (\text{Working Capital/Total Assets}) + .014 (\text{Retained earning/Total Assets}) + .033 (\text{EBIT/Total Assets}) + .066 (\text{Market value of Equity/Book value of total debt}) + .999 (\text{Sales/Total Assets}).$$

It is of interest to know why the companies fail when several like companies operate successfully ; whether age and size have any influence over failure and why rate of failure varies over time. Such mathematical model building activities aim towards predicting to prevent and cure the corporate failure.

* Corporate Distress—An Empirical Analysis by Debashis Bagchi published in Indian Journal of Accounting, Vol. XIX, June 1989 of the Indian Accounting Association.

** Some aspects of the Pioneering Researches in the Area of Corporate Sickness using Multipole Discriminate analysis as their core by Debashis Bagchi in Chartered Secretary, Vol. XIII, No. 10, Oct., 1983 of the Institute of Company Secretaries.



Sickness, therefore, is a disease where symptoms are manifested. Medicine is prescribed after proper diagnosis. The problem arises when the nature of sickness, i.e., genuine or bona fide or feigned or pseudo becomes difficult to be diagnosed. It is easy to awake a sleeping man but difficult to awake a person who pretends sleeping.

The obvious question is why an industry would venture to pretend sick. The reasons are not too far to seek. In an industrial set up within the gamut of democracy where the patronisation is due to influence of politics, both the industrialists or the persons at the helm of affairs of the corporate bodies join hands with the political demagogues or the so called leaders of the nation, the craze is not to develop the socio economic conditions but to catch the vote and pave the path of sure success. The taking over of undertakings culminating in the rehabilitation by nationalisation succeed in winning over the minds of the employees and their family members go a long way to cast ballot papers in the box in favour of the party representing the Government, come what may to the nation. All these aspects cannot be revealed by Statutory Audit while Social Audit endeavours to unearth such motives played in discharging the social responsibilities by corporate bodies.



Chapter 8

OPENNESS AND RIGHT TO INFORMATION—A GLASTNOST AND PERESTROIKA TO THE FINANCIAL HEALTH OF CORPORATE BODIES



Chapter 8

OPENNESS AND RIGHT TO INFORMATION — A GLASTNOST AND PERESTROIKA TO THE FINANCIAL HEALTH OF CORPORATE BODIES

The democratised artificial juridical persons can thrive provided more and more information is available to the publics for whom the corporate bodies come into being. Examining their roles in its different perspective can only temper with social justice. It is not a mere one way of the portrayal or window dressing. The contracts and the declarations can make the identification and extent of interest with or without bias can make it clear.

The participation in the social activities and its evaluation will also open a new vista for its contribution to the society to which it forms to be a part.

A natural man is the climax of creation. The psyche of man inside the self characterises the individual difference. Thus poet Tagore says—Man is fulminated in its soul and the embracement of the soul identifies the individual entity. In the business or commercial parlance the most common element considered expedient in order to make an agreement complete is 'ad idem'—meaning two minds together. In other words to signify that the persons in the agreement in order to form a contract must agree in the same sense of the same thing so as to do away with the problem of gap in understanding/misunderstanding.

There may be excellence in expressing a thing in a sophisticated and intelligent way. The truth though stark is presented with nicety to manifest acumenship. In all the cases the target group is always the intelligentsia of the community.

But the business or commercial horizon where the mass represent the banal thinkers there is hardly any significance of sophistication in presentation. Democratisation thus emphasises the need for simplification and standardisation. The touch of common man in the corporate equity makes



the corporate financing sacred and for this purpose disclosure of more and more information devoid of jargons and jugglery is the desideratum. Every discipline develops its own language for communication. Business is no exception. But involvement of common man in corporate equity makes it imperative to use common easy understandable language since the intelligible interpretation of the corporate language will tantamount to the story of inviting a crane by the fox in a feast and to offer milk in a plate which is difficult, if not impossible for the crane to drink.

Glastrnost in corporate functioning

As a matter of fact, the more the disclosure the more the opportunity to know of its entity. In the wake of consumerism, the thrust is to provide more information and ensure better service and safety and to shun the old traditional thinking of '*Caveat Emptor*'.

The methodology of disclosing and presenting a corporate body as per statute is through corporate accounts and audit. In most cases expertise to interpret and to camouflage information is often considered necessary which hinders the objective of common man's participation in corporate financing.

Thus the Sachar Committee reports*—"We are recommending certain changes in the sections and schedule dealing with accounts and audit, principally keeping in view the objectives of simplification, adequate and meaningful disclosures for the benefit of the shareholders, the workers and the community at large and objective of professionalising the management for the purpose of improving the working of the company". It also follows that such disclosures should not be a mere confusing mass of figures. They should assist the uninformed in drawing meaningful conclusion. It may be noticed that corporate bodies make investments. The investments falling within the canopy of financial managements may be worth of its name provided it is remunerative and brings good yield. Again good return at the initial stage may follow to make embezzlement possible and diversion of funds easy. This is a clear reflecteion of intention which can only be exposed by disclosure and making more and more openness a pre-requisite. It has been observed that it is incumbent on a holding company to attach to its own balance sheet a copy of balance sheet, profit and loss account,

* A Study Report of Sachar Committee on Companies & MRTP Acts by Centre for Legal Studies, New Delhi (page 78)



report of the Board of Directors and report of the Auditors relating to its subsidiary companies. Some companies enter into partnerships or joint venture but under the existing law, there is no requirement for a full disclosure of the affairs of such partnership or joint ventures to the shareholders of the company. The owners have definitely the prerogative to know the way its funds or assets are being utilised by its professionalised management. Thus it is felt that when under section 18AA of the IDR Act the undertaking is taken over for embezzlement or diversion of funds in the opinion of the Central Government which is a subject factor the issue can be made more objective from the social audit point of view by making the provisions of section 212 of the Companies Act applicable to the accounts of such partnerships or joint ventures to the extent that the company should attach to its Balance Sheet a copy of the last Balance Sheet and Profit and Loss account of those partnerships or joint ventures and a statement be made in regard to the material changes in the affairs of such partnerships or joint ventures which have occurred between the end of the financial year or of the last of the financial years of such partnerships or joint ventures and the end of the company's financial year, in view of the fact that an unlimited liability is incurred by acquiring an interest in partnership by the shareholders having limited liability.

Again, the report of the Directors as prescribed under section 217 and expanded by the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 vide GSR 1029 dated 31.12.88 does not reflect the amount spent for legal expenses and the pending cases vis-a-vis the amount of claim and amount settled. Hence information regarding the number of litigations launched and the amount involved in the claim for settlement and the amount spent for payment of fees towards legal expenses is considered necessary. It is a common practice that suits/writs or for legal remedies with the help of the court is preferred. The objective is that the employee or a small entrepreneur who is very weak in the bargain may be frightened with the vicious circle of operation of the modern judiciary where show of justice predominates over real justice and the expenditure on this count far outweighs the claim involved at the cost of personnel or buyer vendor relation, considering the corporate personality, its image and identity this relationship, it can be argued, is recognised as one of the intangibilities and motivating factors towards better contribution and effective functioning. Disclosure of such information may affect the morale of the corporate management for minimising such cases and eliminating social cost.



Information regarding investments in other bodies corporate, firms or joint ventures exceeding five per cent of the company's paid up capital and free reserves as have not yielded any return during the year and the reasons thereof are also not available to open the degree of bias and wrong decisions.

Accounting ratios as have been noticed are utilised as effective tools and techniques for effective control as well as towards an assessment of the corporate functioning. The publics, e.g., investors, employees, creditors, and the financial institutions and the society at large take the help of such ratios in interpreting the position, status, image and activities in consolidating the strength and weakness of the corporate body.

The accounting ratios, viz., Current Assets to Current Liabilities, Inventories to Sales, Trade Receivables to Sales, Net Income to Net Sales, and Net worth, Return on Capital Employed, Profit before interest and tax to Total Assets, Net profit after tax to Equity, are to be shown with a statement explaining the information relating to any material liability which is likely to adversely affect the profit and loss or assets and liability position of the company during the current year so that the PUBLICS may make a study spontaneously for a decision.

Steps taken by the company in various spheres with a view to discharging its social responsibilities towards different segments of the society quantifying wherever possible in monetary terms are not available to the people. The Board should report on the future plans of the company towards the discharge of the social responsibilities and duties.

Information relating to the particulars of any contract with the company that subsists at the end of the financial year or subsisted at any time during the year in which a director or his spouse or dependent children or any relation have or had any significant interest are also not available in a clear and unequivocal terms. The question relating to the interest may be answered to the extent of an amount representing the value a sum equal to or more than one per cent of the company's total purchase, sale, payment or receipt. Contracts need not be mentioned individually but should be disclosed sufficiently to constitute a fair disclosure.

A declaration that the board of directors have complied with the statutory norms and guidelines in respect of managerial appointment and remuneration is considered necessary in the public interest. This will ensure



right man for the right position and the compensation settled for the worries and anxieties for corporate success is not a mere waste.

The declaration should also cover the compliance of norms and guidelines for inter company investment and loans.

There is a common proverb—'vaulting of Ganesh'. Ganesh is the deity symbolising the success. The reverse is the feigned sickness with shadow success. The tendency of corporate functioning is to inflict injury and insult to the shareholders and make drainage of public money by pretending sick and diversion of funds and making fortune to satisfy the selfish egos and ambitions.

Section 217 (2A) provides :

- (a) the Board's report shall also include statement showing the name of every employee of the company who :
 - (i) if employed throughout the financial year, was in receipt of remuneration for that year which in the aggregate was not less than (such sum as may be prescribed) or
 - (ii) if employed for a part of the financial year was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than (such sum per month as may be prescribed)
 - (iii) if employed throughout the financial year or part thereof, was in receipt of remuneration in that year, which in the aggregate, or as the case may be, at a rate, which in the aggregate, in excess of that drawn by the Managing Director or wholetime Director or Manager and holds by himself or along with his spouse and dependent children not less than two per cent of the equity shares of the company.

The parameter of income 'such sum/such sum per month as may be prescribed' would appear to have a chequered carrer in view of the impact of inflation in the economy. The objective would appear to be two fold : Firstly, employees enjoying managerial or key positions in the corporate body are identified with qualifications, experience and compensation which in the wake of professionalisation have a long way towards future manpower planning and development. Such disclosure to the members in equity



participation and to the general public provides for motivating factors to the incumbents and sometimes demotivation to the corporate decision making bodies to shun the path of exploitation, and move towards human resources development with exposure, structured courses, etc.

Secondly, persons placed in a very low position having a low profile but enjoying better remuneration depict a disharmony when compared and contrasted with the neighbouring and similar or equal types of undertakings.

Moreover the well being/welfare activities are also reflected.

The Companies (Particulars of Employees) Amendment Rules, 1988 inserted rule 1A in the Companies (Particulars of Employees) Rules, 1975, to include employees whose remuneration is

(i) (a) not less than rupees seventy-two thousand per financial year, for the purpose of sub-clause (i) of clause (a) of sub-section 2 (A) and (b) not less than rupees six thousand per month for the purpose of sub-clause (ii) of clause (a) of sub-section (2A) (1). In its liberalisation measure the Government of India amended the Companies (Particulars of Employees) Amendment Rules, 1990. By virtue of this amendment, with effect from 18.9.90, companies are required to give in their directors' report the particulars of all employees who draw remuneration of Rs. 12,000 p. m. or Rs. 1,44,000 p. a. (instead of Rs. 6,000 p. m. & Rs. 72,000 p. a.). This liberalisation measure will lead to economy on the part of the companies while publishing their annual reports. (Vide notification No. G. S. R. 795 (E), dt. 18.9.90, Govt. of India, Ministry of Industry, Deptt. of Company Affairs).

A look at the particulars of employees issued by companies in directors' reports giving particulars of employees pursuant to section 217 (2A) of the Companies Act, 1956 will reveal that the

- (i) particulars are given alphabetically by name
- (ii) particulars are printed in such a way that it becomes very difficult for a viewer with ordinary vision to decipher.
- (iii) particulars following the sequence of name, designation, nature of duty, gross/net remuneration, qualification, age, experience, date of employment and particulars of past employment.

The following extracts may be examined to find out to what extent the purpose of the provision of the Act has been served in the interest of the society.



It is apparent that employees belonging to the category of sweeper or assistant enjoying the salaries as prescribed by the Act and rules made thereunder have been enlisted. The question obviously arises whether these facts will create an atmosphere of prestige and pride in the minds of such employees and cultivate a sense of belongingness. On the other hand, such information will frustrate the morale and ambition in other undertakings and demotivate them or help in creating a pressure on the employers. The consequences followed either by the increase of remuneration and increasing the overhead costs—thereby raising the cost of the production followed by rise in the price of merchandise will be anti-consumers' interest when the society will put to suffer. Again, being frustrated the employees will loath to work which will culminate in the loss of production and ultimately the consumers and the society will put to suffer. Here the principle of 'Perestroika' or the question of administrative reform comes in. It is to be decided whether the information in the present form is the desideratum. Sometimes there is a gap in communication also.

Employees having almost same age-group and have same qualifications are not allowed to enjoy the same status. The reasons may be that some of them might have acquired the professional qualification late and could open the promotional avenues late. But persons with less qualification if allowed to enjoy higher status and benefits is bound to reflect upon the efficiency and morale of the employees - the intangibilities upon which the corporate success often depends.

Managerial positions are adorned by persons having no professional background or similar exposure which also negates the prospect of the professionalisation of the corporate management for better productivity and better production.

Again, the seeds of DISINTEGRATION are also sown here which often conflagrates in the form of REGIONALISM or COMMUNALISM. The picture depicts that the charges of patronising people hailing from a particular region of such a vast country are being preferred and paid better than the employees who claim to be the sons of the soil and having higher qualifications and experience in the line are not always an unfounded truth.



Section 217 (2A) thus provides for information for certain purpose and the intention is to bring out that information for better use with OPENNESS—a GLASTNOST. The information technology offers a lucrative opportunity but it proves that one should not trust always one's own eyes. Sometimes what is unbelievable would appear visible with the collection, compilation and presentation of such data based information. Mistakes may occur as to the illusive effect also. The picturesque pleasure may appear to be lucrative. But the fact remains elsewhere and that is to be searched out with the two weapons, viz., GLASTNOST and PERESTROIKA, applied in corporate management.

The Sachar Committee observed :

* "This sub-section 217 (2A) was introduced by the Companies (Amendment) Act, 1974. Disclosure of the information pursuant to this section does not appear to have served any purpose. The Committee also recognises that should any shareholder require the information regarding all executives who receive remuneration in excess of that drawn by managing or whole time directors the company will be bound to furnish such information". It would, therefore, become imperative and opportune to rethink and recast the parameters of the information desired under this sub-section (2A) of section 217.

Firstly, the printing pattern should be changed in order to make it meaningful, purposeful and legible. [See Appendix-VI]

The details of information should be furnished departmentally and then alphabetically in surnames chronologically so that a comparison of intra and inter corporate personnel function in recruitment, development, placement and promotion and remunerating or compensating such personnel enjoying the status/prestige of the corporate body becomes simplified and standardised.

* A Study Report of Sachar Committee on Companies & MRTP Act, Centre for Legal Studies, New Delhi (page 82).



TABLE — 13

Source	Surname	Name & Designation	Gross/Net in '000	Amt.	Age Exp. dt. of Joining	Qualifi- cation
Tata Iron & Steel Co. Ltd. Eighty-First Annual Report, '87-'88	(i) Majumder	Tapan, Manager, Purchase & Stores	92/71	41	2/10.10 '86	B.E.
	(ii) Mohanty	N. K., Deputy Director of Personnel (Works)	94/72	38	11/18.12 '76	B.A., M.B.A.
	(iii) Mohanty	A. K., Welfare Officer	38/36	30	7/23.9 '81	M.A. in Soc. Welfare
	(iv) Pandey	B. N., Chief Admn. Officer (Town)	122/87	61	28/4.8 '50	M.A., B.L.
	(v) Pandey	S. N., Chief Personnel Manager	75/54	45	19/17.1 '69	M.A. (L. & S.W.)
	(vi) Rege	M. D., Officer	73/54	39	19/2.8 '68	B.A.
	(vii) Gandhi	S. S., Deputy Mgr., Marketing	64	45	25/1.8 '69	B.A., LL.B Asstt.
	(viii) Gangulee	S., Dy. Mgr. Marketing	57	42	20/1.12 '68	B.Com Clerk
	(ix) Mehta	N. C., Deputy Mgr., Marketing	75	47	28/12.10 '64	F.Y. Cou Clerk
	(x) Harjee Brig	B. J., Chief Admn. & Procurement Mgr.	83/38	63	7/1.10 '81	Pre-Commis- sion Inter Sc.
Indian Rayon & Industries Ltd., Annual Report, '88-'89	(i) Biswas	S. P., Spg. Supdt.	82	41	18/1.9 '86	B.Sc. Tech. (Text.)
	(ii) Chowdhury	N. M., Sr. Asstt. Officer	79	42	24/23.6 '76	B.Com., LL.B
	(iii) Gupta	Naveen, Spg. Supdt.	89	36	16/17.8 '81	B.A., Dip in Text.



Source	Surname	Name & Designation	Gross/Net in '000	Amt.	Age Exp. dt. of Joining	Qualifi- cation
	(iv) Halder	A. K., Spg. Suptd.	87	47	24/1.2 '79	B.Sc. (Text.)
	(v) Keshari	R. P., Materials Manager	74	45	22/12.2 '88	B.Sc.
	(vi) Roy	Amit, Vice President, Marketing	128	45	22/1.1 '88	B.Sc.
	(vii) Singh	P. N., Fcy. Mgr.	98	44	21/1.12 '68	M.A., D.S.W
	(viii) Subra- nyam	R., Personnel Mgr.	78	52	30/8.5 '86	B.A., B.L., D.S.W
	(ix) Sureka	S. K., Marketing Manager	172	44	23/12.2 '83	B.Sc., LL.B
	(x) Tiwari	R., Sr. Lab. Wel. Officer	81	52	26/21.12 '69	M.A., M.Com., LL.B., D.S.W
Indian Oxygen Ltd.,	(i) Balmiki	Suranmal, Sweeper	38	57	28/1.7 '59	Mat. Std.
Fifty-third Annual Report, '86-'87	(ii) Basu	P. K., Mgr. Com. Taxes	90	47	25/1.11 '61	B.Com.
	(iii) Bhanu	R., Plant Mgr.	78	49	28/24.9 '62	L. E. E.
	(iv) Bose	Doris, Lady Secy.	60	47	26/1.7 '69	High School
	(v) Banerjee	B. D., Personnel Mgr. (Legal)	85	53	25/1.12 '67	M.A. (Com.) Cert. Stat. LL.B
	(vi) Bhattacharjee	A., Jr. Asst.	59	53	37/17.11 '59	M.Com., LL.B
	(vii) Chanda	D. K., Mat. Officer	56	52	32/1.5 '57	B.Com
	(viii) Chanda	D. K., Asstt.	60	46	24/8.11 '63	M.A., LL.B. GDMM



Source	Surname	Name & Designation	Gross/Net in '000	Amt.	Age Exp. dt. of Joining	Qualifi- cation
	(ix) Chawla	K. D., Admn. Mgr.	62	56	38/22.11 '50	Mat.
	(x) Dass	Jaipal, Asstt.	71	50	32/1.12 '55	B.A., LL.B. M.B.A.
	(xi) Chopra	K. K., Div. Finance Manager	98	56	36/1.4 '51	B.A., M.B.A.

Undertaking Service Commission for identification of professional talents to serve corporate sector better

The need to professionalise the management of companies does not call for any emphasis. There is an urgent need to move in this direction particularly in regard to matters relating to the financial, material, personnel, technical affairs of the company as the expectations of shareholders, creditors, consumers at large are revenue collecting agencies of the Government depend entirely on the authenticity of accounts, promotion, development and remuneration paid to personnel—their active and whole hearted support to sustain the growth by upholding the morale and maintaining the ethics of respective profession, both published or otherwise of a company.

In this context apart from the functioning of Bureau of Public Undertakings under the respective Department of the Government, it is felt that U. S. C. (Undertaking Service Commission) may be set up to look after the needs of the personnel for recruitment, development and placement. This commission will cater to the needs of the undertakings covered under the MRTP Act, 1969 and the IDR Act, 1951. Such undertakings belong to the structured group of industries where the professional positions are standardised. This may help removing the anomalies in differential treatment in payment and position to offer the prestige to the professionals. The quality of the professional institutes and the standard of the instructions can thus be developed which will again ensure better productivity and better consumption and make the corporate bodies discharging its social responsibilities in a befitting manner since the source of recruitment is the same no matter one is a simple graduate/post graduate or a Ph. D. but he joins the Indian Administrative Service and heads a Department/Ministry



for its perpetuity. The institutional difference subsides but the quality of man is identified, developed and utilised in the public interest. Such possibilities will also hold good and translate the aspirations into reality with the UNDERTAKING SERVICE COMMISSION being set up and run in line with the functioning of the Union/State Public Service Commission. The bureaucratic bungling and the prejudices may be controlled and even if it comes to play the same may be foreborne to put the whims and prerogatives, which are very often wild, under control. Article 16 of the Constitution provides for equal opportunity in matters of public employment. It envisages that no citizen shall on grounds of only religion, race, caste, sex, descent, place of birth, residence or any of them be ineligible for, or discriminated against in respect of any employment or office under the State.

Undertakings of certain size and sometimes identified as large houses with countrywise or productwise domination are covered under the MRTP Act or IDR Act and invite public to participate in the equity must ensure equality of opportunity in the employment and this is possible only through a Service Commission for such undertakings.

Again, Article 19(g) provides for Right to freedom "to practice any profession, or to carry on any occupation, trade or business".

Article 19(6) states "Nothing in sub-clause (g) of the said clause shall affect the operation of any existing law in so far as it imposes or prevents the State from making any law imposing, in the interest of the general public, reasonable restrictions on the exercise of the right conferred by the said sub-clause and in particular, nothing in the said sub-clause shall affect the operation of any existing law in so far as it relates relating to (i) the professional or technical qualifications necessary for practising any profession or carrying on any occupation, trade or business."

Thus in a broader spectrum professionalisation of corporate bodies with equality of opportunity in employment is the dichotomy in corporate management which may be fulminated with the combination of administrative excellence in bureaucratic form and commercial expedience in managerial fervour. When the management worthy its name divested of ownership can grow with perpetuity and group dynamism comes into a fair play to constitute a welfare society.

Participation in the equity often succumbs to a bizare with unfair profits by company's Directors, Auditors, Cost Auditor, Financial Accountant or



Controller, Cost Accountant, Tax and Management Consultant or Adviser—Legal Adviser or Solicitor. In the matter of sale or purchase of shares in the company such personnel are better equipped with price sensitive information since they happen to be insiders, though statutory provisions make information available to shareholders in this regard. Pending suitable Statutory provisions to prohibit such unfair practice/transactions by the insiders and their relatives, arrangement for fuller disclosure of transactions by those who have price sensitive information within a certain period be made to reveal the motive behind such transaction vis-a-vis the corporate objective.

To meet this end in view all public companies should maintain Registers disclosing dealings in shares by such persons or any private company, partnership/joint venture or trust in which the above category of persons have financial interest including the interest of their spouse, children or of the employees covered under section 217(2A). This disclosure should contain the number of shares, price at which the shares are sold or purchased and the date of transaction and be published along with the Annual Report of the company.

Shortage of working capital or in other words, blocking of working capital on the one hand and declaring of dividends not out of profit quite often shadow the true and fair profits by the manner of presentation of stock in trade and provision for bad and doubtful debts and advances.

Directors must report the reasons for carrying the stock which are slow moving including stores which are on hand for two years or more and not written off. The reasons for further purchase and keeping larger stock in detail need a disclosure. Again for better appreciation of the working results and net worth of business as disclosed in the Annual Accounts, a full detailed picture for the bad and doubtful debts and advances in the accounts needs be disclosed.

The crying need of the hour is the right to information. Even the history of the country witnessed the fall of Rajib Government as engineered by the V. P.'s call to the nation for such information even for defence purchases and the alleged scandal attached thereto.

Profusely expanded matrix of information is never ending as the requirements for information are always changing with the passage of time. But this right when established opens the doors of disclosure and the evils of clandestine dealings become threatened. But caution should be taken so that such disclosures are made in simple and standard form so that the same becomes understandable without the help of experts.



The corporate bodies function for the social good. But under the corporate veil the evil desire of the interested communities is satisfied and to unveil this undersirable aspect the right to information is demanded or rather necessary for investors, creditors, employees, Government and general public. The published information like Balance Sheet, Profit and Loss Account, Directors' Reports, disclosures about conservation of energy, technological absorption, foreign exchange earnings and outgo, material changes and commitment affecting the financial position have been made compulsorily reflected in the Directors' Report. But corporate communication like accounting for social costs, investments in human resources, impact of inflationary tendencies, statement of value added, financial forecasting and projected income, etc., are yet to be made obligatory for publication for the information of the public.

It would perhaps not be incongruous to perceive the role of the corporate bodies for uplifting the different social groups with the wide public information under the planning premises—the approach paper of the eighth five-year plan (1990-95) which the National Development Council approved on 18th/19th June, 1990 achieving social transformation.

It has been noticed that the sources of discontent and unrest are embroiled in the issues like unemployment, illiteracy, ill health and decline in living conditions of the poor and vulnerable sections. It is a fact that the organised sector has been unable to generate additional employment commensurating with investment and the problem of unemployment has been further accentuated due to industrial sickness, and capital intensive industry making inroads into the hitherto labour intensive areas.

Another notable feature which draws attention is the unacceptability of the elitist consumption pattern from the social, economic and ecological viewpoints and neglect and degradation of the environment and uncontrolled exploitation of natural resource base.

Such distortions in the development processes were possible perhaps because of public enterprises have failed to use resources efficiently, and to generate even a moderate growth rate of public investments and public programmes have failed to plug leakages and wastes.

The needs of ordinary people and the quality of life have been identified for Central focus of planning. Envisaged in the approach paper is a process



of democratic decentralisation where the process of planning and implementation provides greater scope for the society to effectively participate by articulating and pressing for their needs.

In the wake of right to work and right to information generation of employment opportunities to put a stop to migration from rural to urban with pattern of investment from high to low capital is a must.

In the matter of social development the approach paper of the eighth plan identified the following ingredients which are considered to be pivotal for economic development and social transformation :

- (i) Women and Development—A special role to women in the scheme of decentralised area planning and in mobilisation of local skills and resources has been recognised keeping in view women's status as producers of goods and services and as rightful claimants of social security and dignity of work.
- (ii) Vulnerable sections—Scheduled castes, Scheduled tribes, minority and backward communities deserve attention to achieve the goal of social justice for providing essential education, health, child care and social services to social security system.
- (iii) Education—means literacy, elementary and secondary education, technical and vocational training towards 'Education for all' in developing infrastructural facilities.
- (iv) Health—Setting broad goals, training qualified manpower promoting information, extension and communication for a link of health care system with the medical education.
- (v) Food and social security—with the objective of increasing the purchasing power of the poor for procurement of food through public distribution system thereby envisaging consumer co-operative movement and improvement of consumer awareness. Universality of primary education, eradication of illiteracy, preventive and curative health care be made through decentralisation and community participation.
- (vi) Science and technology—should discriminately be used with greater sensitivity and concern for employment, environment, equity and control of conspicuous consumption with selective access to foreign



know-how but strengthening indigenous capability for research, development, adoption and innovation in technology relevant to our needs.

Programmes for science and technology will be built up from the sectoral programmes and the institutional arrangement required for the purpose would vary with each sector while the investment in each sector would be identified and earmarked in such a manner as to promote greater technological self reliance.

- (vii) Environment—Public consciousness is gaining ground that development cannot be achieved at the cost of ecological degradation and that rigorous scrutiny of the environmental impact of every development scheme is called for. A mechanism need be evolved so that ecological consequences of development schemes become known to the public through an Open Door information system. Protection of remaining forests and enhancement of bio-mass resources need be provided.
- (viii) Industry : policy and priorities—The specific issues highlighted for attention as regards the private sector are
 - (a) restraint growth which involves diversion of resources to nonpriority uses
 - (b) self regulation in quality control, dissemination of data enforcement of fair trade practices
 - (c) sick units which are not viable be closed down
 - (d) foreign capital as a medium for bringing better technology.

In the public sector greater efficiency has been urged upon with timely completion of project, preventing overstaffing and improved labour relations based on workers' participation and concern for productivity. Another special feature is evolving an effective system of incentive and disincentive backed by legislative mandate for energy conservation with due regard to ecological aspects of energy conservation.

The broad indicative macro targets and major strategic shifts in terms of objectives and instrumentalities of the approach paper have been identified as

- (i) average 3% annual rate of increase in employment
- (ii) reasonable food security for the poor



- (iii) 50% adult literacy rate and elimination of illiteracy by the end of the decade
- (iv) protected source of drinking water, health services to the poor in the village.

Thus in the perspective of the approach paper of the VIIIth Plan it becomes imperative for the corporate bodies to inform the public in the matter of development of the women and the vulnerable sections of the society along with the measurement or progress report on Education towards eradication of illiteracy, particularly health services, food, science and technology and protection of environment.

It is not mere publication of lucrative information to offer opportunity so as to constitute deceptive appearance. Statutory provisions are to submit true and fair view. Steps to ensure it is to provide for Statutory Audit. But when the existence of the society and its development through ways and means are provided, this aspect is to be catered meticulously by some provisions—say social audit which can unearth the untruth, unfair and deceptive aspects, if any. For that purpose, openness and more and more disclosures are essential.

As an example it may be stated that Fixed Assets are revalued and the difference between estimated market value and book value known as revaluation reserve cannot be utilised for declaration of dividends or capitalisation of reserves for issue of bonus shares. Section 205 of the Companies Act provides for declaration of dividends out of profit arrived at after charging depreciation. Now depreciation is chargeable to profits and computed on historical cost, but revaluation reserve is unrealised and cannot be utilised for writing off past losses and arrear depreciation.

Thus where fixed assets are not revalued during the year the report should state that "None of the fixed assets are revalued during the year or the company had not revalued its fixed assets during the year."

The amount of increase made on account of revaluation should be disclosed in every Balance Sheet for the first five years subsequent to the date of the writing up. Such disclosure is required to be made under each sub-head of the fixed assets schedule VI part I. Revaluation reserve should on the other hand, be separately disclosed under the head 'Reserves and Surplus' which may be utilised for adjusting additional depreciation.



Needless to state that revaluation is an accounting method for partially combating impact of inflation which enables a company to disclose a more correct picture of its actual net worth. But accurate accounting steps are ensured with necessary disclosure—a GLASTNOST is accounting for social cause.

Sorter, George H and Games Martin S. Objectives of Financial statements, supplement to Journal of Accounting Research, 1974, P. 8—observe :

“Society looks to corporations for assistance in the efficient allocation of resources and expects the corporations to assume the responsibility of providing information that furthers this goal.”

The responsibility of providing information is the openness of the corporate bodies which is duty bound to disclose to the society and Social Audit, Social Accounting, Socio economic accounting, social responsibility accounting or social reporting are the terms used for verification and authentication of this social performance information.

Parry, F. E. A. Dictionary of Banking, Macdonald & Evans, Great Britain p. 300 states that social accounting reports the cost incurred in complying with anti pollution, safety and health, and other social requirements.

Epstein, Flamholtz and McDonough opine “Social accounting is an extension of the traditional concept of accounting and accountability to a different domain—social rather than financial performance.”

It aims at measuring (either in monetary or non-monetary units) adverse and beneficial effects of such activities. The social reporting information is conveyed to social groups both internal and external concerning the impact of a business enterprise and its activities on society.

Narrative disclosure consists of statements, essentially non-quantitative. Non-accounting disclosure in footnote consists of quantitative measurement on the social involvement of the corporate body to be included in the footnote of the financial statement of the Annual Report which may be more useful than the narrative disclosure which is mainly covered by the auditors’ report and opinion.



Company management need complete information about the effects of business operations and policies on society. The need for being informed about the adverse effects, e.g., poisoning of food, environmental pollution like Bhopal gas tragedy, etc., are more important in view of the fact that the management have to defend themselves in the court of law also.

The external demand for social information is diverse. Public investors, customers, Government bodies, public interest groups, professional organisations seek social information to judge performance. Ethical investors avoid investment where social injury and environmental damage is caused. Investment decisions warrant information-disclosure or openness of social information.



Chapter 9

FINDINGS AND CONCLUSION



Chapter 9

FINDINGS AND CONCLUSION

Innocuously, studies will reveal inherent limitations. It is not the mind but the behavioral pattern which provides a door for scientific movement. Life cannot always be measured by Rupee value only. The findings will lead to a conclusion. The finer sense in man if can be kindled will emit values which can do away with pound-foolish and penny-wise habit so that the basic nature of value added mechanism can be evolved in the personnel who are entrusted with the task of piloting the economy of the country. A sense of self appraisal vis-a-vis self admonition can save the corporate bodies—entity of the society to make the distinguishing mark between a real and an artificial being very thin.

This will supplement and strengthen the Statutory Audit by making a comprehensive approach towards fixing the objectives of corporate bodies though may not be fully quantitative and will also make the corporate social responsiveness more emphatic so as to prove worthy of the role assigned to it.

The corporate body which is an artificial juridical person enjoys the rights like natural person and is thus expected to behave like a citizen with desire and zeal to become a good citizen discharging the responsibilities. In the same tune it must identify its potentialities, develop it and render service to the society so as to make the society feel its existence in a significant, purposeful and meaningful way. It contributes to the national economy and at the same time it must be parsimonious and conservative in protecting and preserving the resources which it is authorised to use. For that matter, it would be unwise to reflect its functioning like penny-wise and pound-foolish manner—since it cannot be a responsiveness to its social responsibilities.

Expectations are many ; commitments also vary. Time horizon expands. Publics matrix—interaction between the different sections of the society deserves attention. This symbolises through periodic reporting. Statutory provisions cannot vouchsafe the aspirations and desire of mankind. Action is merely a fragmented part of the desire—most part of which remain beyond



the sphere of quantification. Some measures to supplement the statutory requirements are sometimes considered necessary. Social Audit in this perspective is the fillip to the Statutory Audit. The social report, of course, in its rudimentary thinking is finding or seeking a definite shape in a practical format.

While dealing with social responsibility in business, the Sachar Committee have gone more into conceptual delineation than in recommending more specifically the exact contours of social responsibility. However, the committee have recommended the publishing of a social report by the company along with the Directors' report in quantitative terms. Social responsibility is not limited to actions taken, but also extend to specific non-actions which result into deleterious effects for the society. For example, if the activity of the company results in environmental pollution and the company has failed to spend money which would check that pollution, the amount of money which would have been spent but has not actually been spent should be reported by the company as specific non-action.

With the acceptance of the concept of social responsibility the question arises regarding the manner of its implementation. The corporate body in recognition of its social responsibility must inform the shareholders and the public about its contribution in the form of a social report both in quantity and monetary terms which is the quintessence. The report must provide for an integrated picture of the working of the company in real terms as far as possible for providing information which can serve as an aid to public policy making. There is of course difference in quantification and verification of such information in the report. But there is no dispute about the accepted areas and items which Directors must disclose as an additional information every year.

The crying need, therefore, is to make it obligatory on the company to give a social report every year showing to what extent it has been possible to meet its social obligations. The major constituents are shareholders, creditors, workers and the community. Disclosure of information is an essential part of the working of a free and fair economic system. Of course, preservation of commercial confidentiality may be a factor. But the bias must be towards disclosure with the burden of proof thrown to those who defend secrecy.

With more openness the general suspicion and intent to conceal improper activities will be less likely. Social Audit with social report thus



demands at the outset openness in corporate affairs in securing corporate social responsiveness.

Report on safe working conditions and agreeable working relation programme, a training programme to develop employees' talents and their children along with the kids of the locality reflect the increasing participation of the corporate body and its awareness of the problem of unemployment, overpopulation, rural development, environmental protection, conservation of resources, control of pollution, provision for drinking water, etc.

Mr. George Goyder, the author of Responsible Company sought to equate the suggestion of a responsible company with the trusteeship concept advocated by Gandhiji, the aim of which was to ensure that private property is used for the common good.

The reports of the Comptroller and Auditor General of India relating to the accounts of the Union shall be submitted to the President, who shall cause them to be laid before each House of Parliament and in case of a State submitted to the Governor for laying before the State Legislature (Art. 151). Thus the success and the failure of the public sector are highlighted to the people through the legislature along with the reports of the Public Accounts Committee. There is a big gap in respect of such public communication regarding what has or has not been able to discharge the social obligations in course of economic operations by the private corporate bodies.

Again results alone are not the measure of judging the extent of social responsibility because it is possible that socially desirable effects may result from socially neutral or even antisocial decisions as against socially responsible decisions may have unfortunate social consequences. Thus the factor social responsibility or the fact that the existence and continuance of a corporate body within the framework of the accepted socio-economic conditions has to be evaluated at the point of time when decisions are made also. And this important and significant task should be done by a body representing the workers, consumers, shareholders and the management who are the constituents affected by the operation of the corporate body. These constituents again should represent the discipline like sociology, psychology or behavioral science, environmental economics, biochemistry and Food and Nutrition also.

While quantifying the contribution that the company claims to have made towards the social obligation it will also specify that no part of the



benefits have gone either to the Directors or their relatives or to any other association in which the Directors or their relatives have any personal interest. This will serve as a greater assurance to the public that what is claimed to have been spent by the company towards its obligation to the social responsibility has really been done towards social benefit and not for the benefit of those who are in control of management of the affairs of the company since that would tantamount to the self contempt vis-a-vis a contempt to the society.

In the event when the corporate citizenship is not excelling towards a good citizen, the reasons for such failure need be probed. This calls for information. The measurement and reporting internal and external of information concerning the impact of an entity and its activities, according to Ralph W. Estes, is the social accounting which deserves audit and presupposes a social report which along with the Directors' Report will indicate and quantify in as precise and clear terms as possible the various activities relating to social responsibility carried out by the corporate body during the year under review or report.

It may be gleaned that social audit of social report is to a great extent a measure of self assessment and self retrospection. In the matter of rating the performance, it is an acknowledged fact that self assessment is one of the best way of doing it to neutralise the bias. We often hear—the Vedas instruct—know thyself, i.e., '*Atmanang Biddhi*'. This is the best way of learning or knowing. Self criticism is the best way of developing oneself.

When the corporate body has been assigned with the task and privilege to use the scarce resource of the country for the common good, any detriment to the common good or the failure to achieve the objective is a contempt to the country or its people for whom the corporate body exists as well as a contempt to the corporate management which is the trustee of the community. Thus the self appraisal, self criticism and self contempt when reported publicly will reflect the credibility, confidence and foster veneration for the veracity and justice with equity.

In this connection, it is interesting to note that a question arose whether a judge can fine himself? This would appear to be funny to critics. But there are judge of judges. Conscientious judges would blame themselves if something goes wrong in their court due to their own act or omission to do an act in the discharge of his or their duty. A recent instance is of Judge



Ralph Kohn of Adrain (Michigan, U. S. A.). He came ten minutes late for a case he was hearing. He expressed regret in open court and fined himself \$ 50. The charge to which he pleaded guilty was 'contempt of court'—his own court'.

Such judges should adorn the Indian courts. Often there are lapses in court attendance by judges even by hours in the Muffusil. Sticking to court time 10:30 a.m. to 5:00 p.m. with luncheon interval is very healthy. If judges fine themselves for their lapses in attendance like the Michigan judge, the Finance Minister of the relevant State will appreciate his new form of income to the exchequer. Law's delays will disappear if judges work the whole office time. We have seen an instance of a Magistrate being fined for contempt of court merely because he needlessly delayed a judgement for over eight months*.

Likewise, the responsiveness of the corporate body is expected to be reflected in self appraisal by fining itself in case of its failure. If the accountability is fixed the natural persons responsible for moving the artificial person while making self criticism and appraisal in the form of social report must highlight the failures in performing the assigned task or assignments. Such failures which are contempt to itself and contempt to the country cannot be allowed to go with impunity. As an exemplary measure, such persons may consider self deprivation by disentanglements to a few perquisites which may be considered to be deposited either in the reserve for utilisation of employees' welfare, education, social distress or pollution control or else may be considered for depositing the national exchequer under a particular head of account meant for it for proper accounting through a National Bank as discussed earlier.

To plug the misuse and abuse of public money from Nationalised Bank it was suggested that there should be one Bank.

Social report which is considered to be very vital and integral part of the Directors' Report must contain adequate disclosure including the contribution such as percentage of profit towards social responsibility as is provided under section 293 B of the Companies Act, 1956, i.e., 'contribution such amount to the NDF as the Board of Directors think fit' or 10% of net

* (Vide Reuter news flash, Judge fines himself from Adrain on March 8, 1974 vide Hindu 9.3.74 p. 7—Contempt of Court by V. G. Ramchandran, Eastern Book Co., Lucknow—p. 429).



profit towards general welfare of the members of the same locality for the co-operative societies.

SOCIAL REPORT again deserves to be audited by a group of experts before finalisation representing the disciplines like Sociology, Psychology, Bio-chemistry, Nutrition, Environmental Economist, etc. Such groups or Committee should have an independent status like Statutory Auditors. Involvement of more and more academicians may bridge the gap between the Institute and the Industry and the line of demarcation between the theory and the practice could be made thin.

The organo-lead content formed around 400-600 mg. per litre in gasoline aggravating the public health can be done away with by changing the design of automobiles thereby making a step forward towards pollution free environment and the civilisations cradelled by which may progress without detriment to the interest of the PUBLIC. Systems may be devised to arrest the Carbon and Lead Contents through in built systems & smoke be released in the air.

Man is the natural person representing

M - erit

A - stute

N - Needs and Neutrality

drives or is the prime mover of corporate person where

P - rofession

E - ffectiveness, efficiency

R - ationality

S - pecialisation

O - bjectives

N - eeds and Neutral.

Identification, development and optimum use of potentialities with due excellence of professionalism in the yore of MERITOCRACY can find a noble shape only when recruitment, placement, development training, transfer, promotion, etc., of such professionals of undertakings of certain size to be identified by Assets Value or Turnover under any statute are controlled and



regulated by an autonomous body like USC (Undertaking Service Commission)—the functioning of which may be like those of UPSC, State PSC or Staff Selection Board, etc.

The concept of viewing human as resources needs review. Every resource is treated as Assets. Again every asset is balanced by liabilities. Human resource as Assets are not stated in the balance sheet. But mere treating the Human element as Asset will be erroneous. More so when the corporate functioning is expected to be Humane in Business.

The horror for war brings in its trail the devastating results accompanied by perpetual legacies affecting the posterities of humanities and its environment. The weapons—modern achievements of science utilised by the Politicians—professionally so called Statesman inflict upon the mankind generations after generations and aggravate the civilization. In the name of preservation and protection of civilization achievements of modern sciences are affected in the productive system through corporate bodies deliberately knowing the ills of such activities and decisions emerging from the anvil.

Most alarming reports about the ecological impact of the GULF war assume that if the oil wells are torched, a huge amount from 3 to 10 million barrels of crude would burn every day. According to Richard Turco of the University of California such burning "could release three million tonnes of black smoke into the upper atmosphere shading up to 100 million square kilometres, more than a fifth of the planet's surface". John Cox, Vice President of the Campaign for Nuclear Disarmament, estimates about 500,000 tonnes of smoke would be generated per month. A year long conflagration could affect the onset and character of the monsoons, he warns.

Again Environmentalists fear that the large oil slick which has already moved southwards may head for India once it comes out of the GULF.

Assuming 10 million barrels of oil are burnt daily in an area of about 1,000 sq. km. the Indian scientists predict the followings :

- (i) Smoke that rises up to 3 km will stay in the neighbourhood extending to a radius of 500 km.
- (ii) Smoke between the height of 3-12 km will be transported very quickly to the east in January-March because of wind and will cross over north India at a speed of 150 knots (300 kmph) and thus dissipating the mass of smoke.



- (iii) The oil fire storm producing dust may cut off the sunlight and marginally reduce temperature about 11% says Dr. N. K. Jaswal, Director, Institute for System Studies and Analyses. According to Dr. S. K. Sinha, Specialist on global climatic changes at the Indian Agricultural Research Institute—the grain development period will be extended. The crop will take a longer time to ripe.

But the major problem catering to far reaching effect is the oil on the GULF water. The heavy bombardment creating crisis for drinking water and floating of heavy oil substance on sea water make the sunlight impermeable and affecting the growth of flora and fauna. The fish, the bird, the ecology are affected. Such fish when used as food by human beings contribute ills and curse to mankind. The pride and prestige of rational animal—the Man—lies in its culture. Coleridge's Ancient Mariner had a self cursing manner for killing a sea bird. In the heart searching effort there is, of course, no repentance by the decision making bodies for creating a havoc in the ecological imbalance. It is perhaps in the self seeking process that an insight may reveal.

Nature meets our needs but not our deeds. Bacteria and virus do not observe the frontiers of affluents. Iraqi blood cannot be converted to oil so as to change the energy based life style of the U. S. A.

Thus Suspended Particulate Matter (SPM) is found to be 3 to 4 times of the internationally specified safe limit of 90 micrograms per cubic meter. The increase in the SO_2 (sulphur dioxide) by 100% in the atmosphere is aggravating the respiratory problems & the exhaust emission of black smoke containing lead is known to have caused blood enzyme changes leading to anemia & neurobehavioral ailments.

The nitrous oxide has increased 10 times in the atmosphere resulting lung disease (362.7 micrograms per cubic centre). Carbon monoxide reduces blood's oxygen carrying capacity (311.4 tons air pollution a day—65% Carbon, 15.76% Hydrocarbon, 17.3% Nitrogen oxide), automobiles & generator operating in the city causes 3°C to 4°C rise in temperature.

Thus in the sphere where the environment is polluted by the activities of any nation, country, industry or a corporate body, there must be an ENVIRONMENT COURT consisting of eminent jurists of national/international fame aided by the economists, sociologists and bio-scientists who should be entrusted with the task of adjudicating upon the extent of damage caused by the wrongdoer and to suggest the degree of punishment.



The accountability will be fixed and ways and means will be suggested so that recurrence of such incident is minimised if not removed altogether.

Proposal for expansion or establishment of a new undertaking of considerable size by the issue of fresh capital or by the installation of new machinery or other equipment or in any other manner, be notified to the Central Government in a prescribed form, of the intention to make such expansion/establishment stating therein the scheme of finance with regard to the proposed expansion. This has been provided in view of regulating the growth of such undertakings so as to prevent concentration of economic power as enshrined under the provisions of Art. 39 (b) of the Constitution.

Again under section 11 of the IDR Act, no person or Authority other than the Central Govt. after commencement of the Act shall establish any new industrial undertaking without a licence from the Central Government. The licence may contain such conditions including in particular the location and size of the undertaking as the Central Government may deem fit.

There has been a series of amendments of the statute and change in the Industrial Policy Resolution recently. Here the Central Government may make an effort in rehabilitating the sick units. There is no denying the fact that while the infrastructural facilities are to be created for such proposed expansion or establishment of the undertakings the sick units already provide for such infrastructural facilities gainfully utilisation of which may yield or make it viable. This will not only preserve the national resources but also ensure the optimum use of the scarce resources. Thus suitable provision in the application forms or in the statute under section 21 of the MRTP or section 11 of the IDR Act may be made to ensure that the owners have exhausted such opportunities or examined such possibilities. It is to be borne in mind that sickness of a corporate body is what AIDS to an individual. A percentage on turnover of the certain size identified on the basis of Assets Value or Turnover value be fixed for spending towards the society at large in the specified items which should form a basis of Social Report duly audited by the body of experts specified. The Social Audit Report will form a part of the Annual Report supplementing the Directors' Report in the communication to the common man who invested their savings for a better to-morrow in their common language.

Healthy corporate bodies provide for wealth to the nation and symbolises strength while sickness manifests weaknesses and decadence.



The ubiquitous scam is the reflection of corrupt, immoral and unethical operations in business causing sickness. In high tech. society prone to 'Scamurruption'—such white collar crime causes ten times more wastage in financial terms than that of blue collar crimes and poses threats to the professionals who have initiated in building think tanks for prescribing their role in the 21st century. The professionals and their mentors responsible for the corporate culture may be identified seriatim :

1. MANAGEMENT :

- (a) Board of Directors
- (b) Nominee Director—another watchdog function has been assigned under Companies Act. The halo effect synchronises. Professionalism with pollutants is the stumbling block. Where fair inter personal or intra personal play cannot continue, the obvious result is to follow Keynes' 'dig here and fill up there'—drain public money and pump to fill one's own tank.

2. PROFESSIONALS AND FUNCTIONAL HEADS

3. AUDITORS :

- (a) Statutory Auditors
- (b) Cost Auditors
- (c) Special Auditors.

4. BOARD OF INDUSTRIAL & FINANCIAL RECONSTRUCTION

5. ABOVE ALL THE CABINET OF THE GOVT.-PEOPLE'S REPRESENTATIVES WHO HEAD THE GOVT. TO CONTROL THE PROFESSIONALS

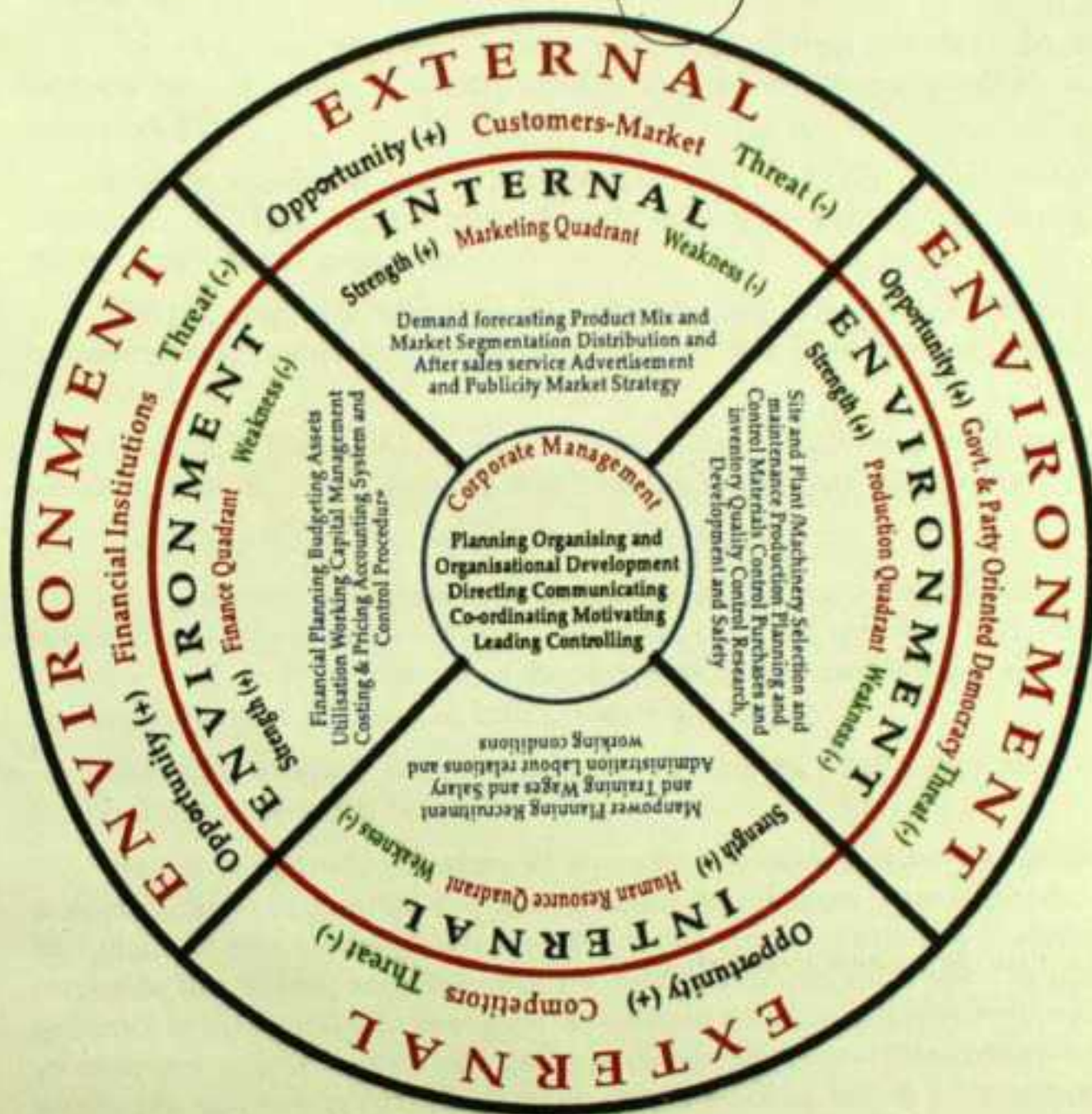
Business environment comprises

- (a) Internal
- (b) External.

Internal environment provides exposure to

- (i) Opportunity (positive +)
- (ii) Threat (negative -).

Business operation planks—viz., Production Quadrant (site and plant/ machinery, selection & maintenance, production planning and control, material control, purchases and inventory, quality control, research & development & safety).



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Human resource quadrant, viz., Recruitment & training, manpower planning and Salary & Wages administration, Labour relations and working conditions.

Marketing quadrant, viz., Demand forecasting, product mix and market segmentation, distribution & after sales service, advertisement, publicity & market stability.

Finance quadrant, viz., Financial planning and budgeting, assets utilisation, working capital management, costing & pricing, accounting system and control procedure.

Besides, corporate management, viz., planning, organising, directing, communicating, motivating, co-ordinating and controlling functions, serve as a pivot.

These are internal environment which have strength and weaknesses which operate in external environment which has threats & opportunities.

Following the TOWS or SWOT model :

The optimum situations will always be to achieve a combination of strength and opportunity. While combination of one positive with one negative may provide beacon of hope for recovery, combination of two negatives warrant nailing the coffin. (See Fig. - 9).

Industrial sickness which is defined with the parameter expressed in financial terms requires redefining.

Determining the parameters of strength & weakness vis-a-vis threats & opportunity, i.e., positive & negative factors and express them in physical and financial terms and to optimise the combination for better & healthier corporate functioning keep the door for further research work open so that reference to BIFR on the basis of such determined parameter may be reviewed so as to put at end to seek sick game of corporate bodies. This continuous watch-dog function is possible through the network of MIS & introduction and continuation of Social Audit.

Business by corporate bodies is not merely a money making phenomenon. Rather it is a social sculptor and it is a measurement of social progress. Social Audit, therefore will enlighten the corporate success and will uphold the corporate dignity by reporting its contribution of taxes to the exchequer and new socio economic progress in the Annual Report.



APPENDIX



APPENDIX — I

From : Mr. A. K. Chakrabarti
M. A., M. Com., LL. B., M. B. A., F. C. S.
14/3B, Jadunath Ukil Road
Calcutta 700 041

Dt. :

To :

Sub : A study on Social Audit of Corporate (Management) Bodies.

Dear Sir,

You will appreciate that in an effort to promote economic growth offering materialistic development often caters to the satisfaction of wanton desire which is bereft of social consciousness. This has been noticed to become more acute in the organised sector of the economy. It has, therefore, been considered expedient to make a study of social audit of Corporate Bodies under the guidance and supervision of Dr. B. K. Basu, M. Com., Ph. D. (Cal), D. Litt (Cal), FBIM (Lond), FAA (Lond), Professor, Deptt. of Commerce, University of Calcutta. A questionnaire has been prepared for the purpose and enclosed which may kindly be filled in and sent to my address so as to reach me within 15.11.91.

Your co-operation will be accepted in high esteem in the academic interest for making the study a headway for tomorrow's socio-economic development.

Thanking You,

Yours faithfully,

(A. K. Chakrabarti)



QUESTIONNAIRE ON A STUDY OF SOCIAL AUDIT OF CORPORATE (MANAGEMENT) BODIES

INSTRUCTIONS :

- A. Please give a tick or state as requested in the Questionnaire.
B. No compulsion for signing at the end.

1. Your Status (i) Industrial Person
(ii) Corporate Person
2. If individual, Profession to which belong (i) Academical
(ii) Corporate Mangement
(iii) Doctor
(iv) Engineer
(v) Legal Profession

3. Academic Discipline

Please state, e.g., Psychology,
Sociology, Bio-chemistry,
Environmentalist, etc.

4. If Corporate person, whether Pvt. Ltd.
Pub. Ltd.
Govt. Co.
None

5. Nature of Product (i) Consumer
(ii) Fertiliser
(iii) Industrial
(iv) Chemical
(v) Food
(vi) Any other



6. Whether the undertaking is covered under the Industries (Development) Regulation Act, 1951 ? YES/NO
7. Whether the undertaking is covered under section 20(a) and 20(b) of the Monopoly Restrictive Trade Practice Act, 1969 ? YES/NO
8. State the total strength (No. of Personnel)
- (i) Professional.....
 - (ii) Employees.....
 - (iii) Workers.....
9. State (approximately)
- (i) Annual Turnover Rs.....
 - (ii) Profit after Rs.....
Tax
 - (iii) Net Worth Rs.....
 - (iv) Interest Rs.....
10. Would it be admissible to indicate corporate success and corporate failure with reason and to suggest the reward and reprimand ? YES/NO
11. Annual Management turnover is due to
- (i) Lack of job satisfaction
 - (ii) Right man is not for right place
 - (iii) Management exploits
 - (iv) Any other.
12. Does the Management take the help of academics representing Psychology, Sociology, Bio-chemistry, Environmentalist for study and report on corporate functioning ?
-
(Name the discipline)



13. Does the Management experiment in making a sick unit viable before considering expansion/new ventures, etc. ? YES/NO
14. How does the Management hire professional skills ?
- (i) Head Hunting
 - (ii) Developing
 - (iii) Inter Personnel
 - (iv) Tests & Selection.
15. What are the minimum and maximum remunerations and perks for the professionals ?
- (i) Minimum Salary - Rs.
Perks - Rs.
 - (ii) Maximum Salary - Rs.
Perks - Rs.
16. What difficulties does the Management experience in recruiting professionals ?
- (i) Poor recruiting policy
 - (ii) Pressure from top
 - (iii) Pressure from Govt./ Pol. Parties
 - (iv) Any other.
17. What measures does the Management take to uphold the employees morale and professional ethics ?
- (i) No Alcoholism
 - (ii) No corrupt practices in obtaining order
 - (iii) No bribing in giving order
 - (iv) Quality is the objective
 - (v) Any other.
18. How does the Management tackle the issues of corrupt practices of the professionals ?
- (i) Transfer
 - (ii) Termination
 - (iii) Disciplinary Procedures
 - (iv) Providing change for development.



19. How the performance of the professionals are rated ?
(i) Subjectively
(ii) Objectively
(iii) Self assessment
(iv) Any other.
20. Would it be beneficial if the professionals are recruited centrally and services made transferable ? YES/NO
21. Does the corporate body manufacture any substance connected with production of food ? YES/NO
22. Is there any occasion of poisoning of food affecting public health ? YES/NO
23. What precautionary steps taken to verify the limit of releasing such substances connected with food production ?
(i) Mechanical checking by Experts.
(ii) Compliance with the specification
(iii) Clinical checks
(iv) Feed back from consuming public
(v) Certification of free from health hazards by experts.
24. In your opinion does the undertaking utilise any material which is harmful to the living beings of the society and create imbalance in the ecology ? YES/NO
25. Is there any endemic disease which may be mentioned ?
(Name the disease)
26. The exhausts and effluents of the undertaking pollute the environment ? YES/NO
27. What are the possible pollutants ?
(i) Gas
(ii) Solid
(iii) Liquid.



28. Does the corporate body provide for pollutants treatment? YES/NO
29. Setting up of environment court may provide immediate relief to the victims and corrective measures to the erring corporate bodies. YES/NO
30. Sickness of the undertaking is caused in view of creating inflow of public money from financial institutions. YES/NO
31. A company once sick seldom becomes normal YES/NO
32. Preventive measures of sickness is not adopted YES/NO
33. If not, mention the measures. (i) Statistical Accounting
(ii) Ratio Analysis
(iii) M. D. A.
(iv) Quantitative Models
(v) Any other.
34. Does the Nominee Director help in formulating the policies, getting funds, marketing? YES/NO
35. Do you think that financial progress of the company alone justifies the existence? YES/NO
36. Statutory Audit measures financial progress YES/NO
Social Audit measures non-financial progress YES/NO
37. Does the corporate body adopt Social Audit? YES/NO
If yes, (i) how it is reported to the society?
(i) Newspaper
(ii) Annual Accounting Report
(iii) Social Report
(iv) Directors' Report.
- (ii) What items are looked into and how it is reported?
(Name the items & Headlines to be covered)



38. How the Management discharge social responsibilities ?
- (i) Development of infrastructures of the locality.
 - (ii) Development of parks, schools, roads, hospitals, cultural functions & participation.
 - (iii) Any other.
39. Is the Management aware of Social Audit ? YES/NO
40. If yes, who performs this aspect ?
(Name the authority)
41. Does the Management feel that this be reflected in the Directors' Report ? YES/NO
42. If yes, what items should be included in the Agenda ? (Name the items)
- (i)
 - (ii)
 - (iii)
43. If the corporate body covers the Social Audit, please tick the functions
- (i) Food Production
 - (ii) Industrial Sickness
 - (iii) Professional's Recruitment
 - (iv) Influencing in getting order
 - (v) Pollution control
 - (vi) Management Performance Audit
 - (vii) Political Support
 - (viii) Donation, etc.
 - (ix) Any other
44. Social Audit is a must since it
- (i) Supplements the Statutory Audit
 - (ii) Forms part of Statutory Audit
 - (iii) Forms part of Directors' Report.



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Ref.

Date : 24.02.1992

Certified that SRI ARUN KIRAN CHAKRABARTI had completed under me his research work titled "Social Audit of Corporate Body" for his Ph-D degree of the University of Calcutta. He fulfilled all the requirements that are provided in Ph-D regulations. Moreover, different suggestions given by different experts and faculty members at the time of his seminar have been incorporated in his write up. His work is satisfactory. The thesis is ready for submission.

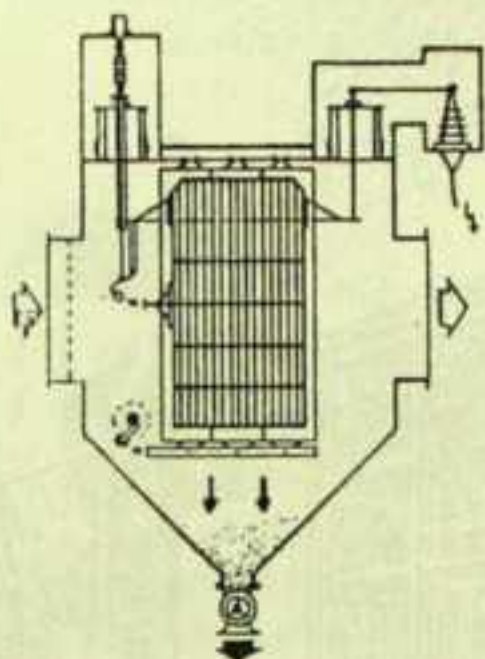
I wish Sri Chakraborty all success in life—material and spiritual.

[Signature]
24/2/92

Prof. Dr. B. K. Basu

APPENDIX — II

Working Principle of Electrostatic Precipitators

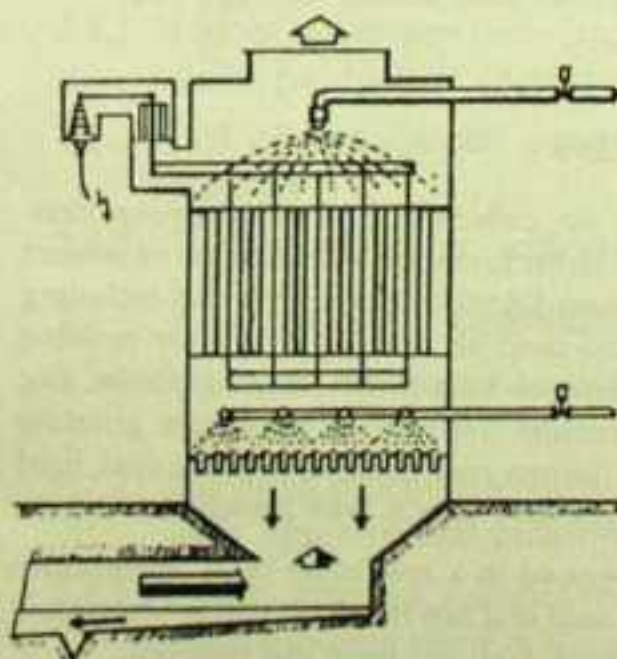


Functional diagram : Dry electrostatic precipitator

DRY ELECTROSTATIC PRECIPITATORS

The dust-bearing gas passes via a gas distributor into the electrical field formed by the application of a high D. C. voltage between the discharge electrodes and the collecting electrodes. In the electrical field the dust is negatively ionised and migrates to the positive earthed collecting electrodes under the influence of the coulomb forces.

A Small quantity of dust becomes positively charged by the corona discharge and migrates to the discharge electrode. The collecting electrode system and the discharge electrode system, are both cleared of accumulated dust by periodic knocking. The agglomerations of dust in the form of large flakes collect in the base of the precipitator and are discharged continuously.



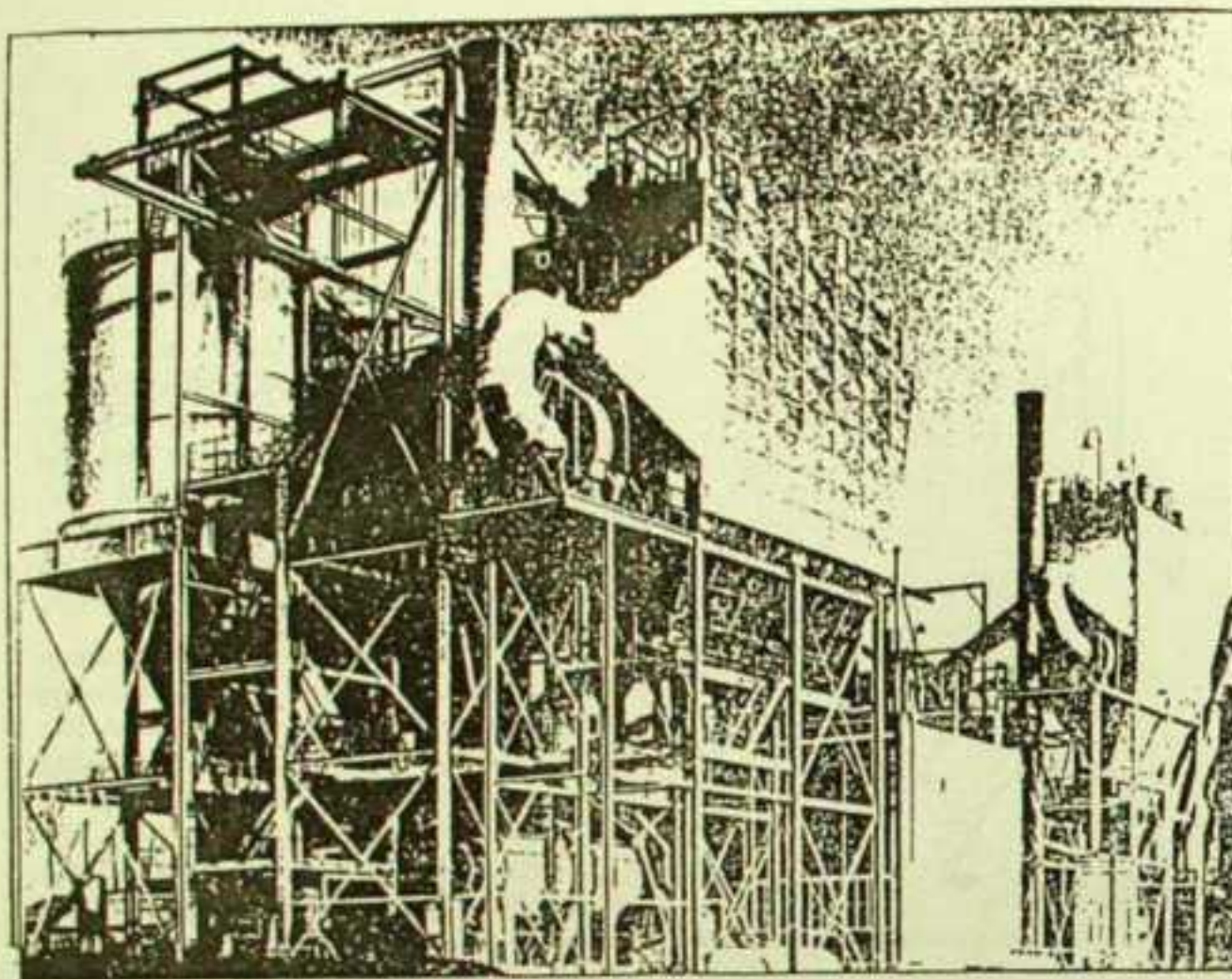
Functional diagram : Wet electrostatic precipitator

WET ELECTROSTATIC PRECIPITATORS

As in the dry electrostatic precipitator, the crude gas enters the electrical field via a gas distributor. In this case, the dust-bearing gas to be purified is treated by a water spray to saturate it with water vapour before it enters the electrical field.

The dust particles and water droplets are precipitated together. The field is cleaned by flushing for short periods at intervals, with the high voltage switched off. Operational phases when no dust is arising can conveniently be used for the flushing periods. If dust arises continuously it is necessary to connect the fields in series.

The dust flows away in the form of muddy water and it can be fed to a thickener.



Dust removal by electrostatic precipitator from grinding plant for marl and copper slag

APPLICATIONS

Dry electrostatic precipitators are used for collection of brown smoke from convertors, with electric furnaces and Siemens-Martin furnaces, for collection of cement dust or marl, dust from rotary furnaces and cement Kilns, lime and fired clay including dust from gypsum calcining plants and can be used as hot gas filters for roasting furnaces. The same can also be used for dust removal from metal smelting plants, slag grinding plants, red sludge drying in the aluminium industry, in phosphate grinding plants, bleaching earths, with hard coal fired, brown coal fired, and black coal fired boilers, with refuse incineration, coal and coke grinding plants, with brown coal dryers.

The wet electrostatic precipitators may be used in a area of no limit. Particularly good results are obtained in dust removal from cold and hot flame meachines on cupola furnaces and electric furnaces ; also as de-tarring and de-oiling precipitators.



APPENDIX — III (REF. : CHAPTER - 6)

Pro Forma for Submitting Information for Obtaining NOC from Pollution Angle

(to be submitted in Triplicate)

1. GENERAL

- 1.1 Name of the industry
- 1.2 Address for correspondence
- 1.3 Name and address of applicant for industrial licence
- 1.4 Name and address of consultant appointed, if any
- 1.5 Name, designation and address of official authorised to deal with this questionnaire
- 1.6 Date on which letter of intent was issued

2. PROCESS DETAILS

2.1 Production schedule

- 2.1.1 List of main products proposed to be produced with designed daily production capacity
- 2.1.2 List of by-products produced with designed daily production capacity
- 2.1.3 Time phasing for achieving full production capacity

2.2 Raw Materials Consumption

- 2.2.1 List of all raw materials with daily consumption at full production capacity
- 2.2.2 List of all processing chemical/materials/raw materials consumed with approximate quantities
- 2.2.3 Is any recycled material from the waste of your industry on any other industry used in the process ? If so, please specify quantities and source.



2.2.4 Is any material salvaged from your waste stream reuseable economically for any other purpose ? If so, please specify details of quantities and probable use.

2.3 Manufacturing Process

2.3.1 Source of process know-how. In house/National Laboratory/ Foreign/Other (specify)

2.3.2 Have you considered less polluting process alternatives ? If yes, the reasons for adopting the present process

2.3.3 Give a brief description of the process technology utilised with a flow chart

2.3.4 Have you any foreign collaboration ? If so, know-how and equipment for pollution control available to you under the terms of collaboration

2.4 Energy Consumption

2.4.1 Source of energy :

(a) In plant generation

(b) Public supply

2.4.2 If energy is generated in plant, type and quantity of fuel daily consumed

Fuel	Coal	Fuel oil	Diesel	Natural gas	Wood	Other specify
Daily consumption in tonnes						
.....						
Calorific value						
.....						
Ash content %						
.....						
Sulphur content %						
.....						
Other specify						



3. LOCATION

- 3.1 Where is the plant proposed to be located? Attach Map
 - 3.1.1 Elevation above mean sea level
- 3.2 Area of Land proposed to be acquired
 - 3.2.1 Area proposed to be developed
- 3.3 Present use of the Land—Agriculture/Forest/Grazing/Settlement/Fallow and Population.
- 3.4 Indicate the nature of topography near the site—plain/valley/hilly
 - 3.4.1 Specify location—Coastal/Estuary/River/Landlocked
- 3.5 Indicate the climatic conditions at the location?
(e.g. Arid, Semi-Arid)
 - 3.5.1 Rainfall yearly average range
 - 3.5.2 Temperature yearly average range
 - 3.5.3 Information on speed and direction of wind
- 3.6 Is the land situated within Municipal or Corporation jurisdiction?
If so, please specify
- 3.7 Is the land situated in an approved industrial zone or estate?
If so, please specify
- 3.8 What, of the following features exist within 20 kms. of the site?
 - (i) Agricultural land, specify crops
 - (ii) Grazing crops
 - (iii) Fisheries
 - (iv) Forest/Sanctuary/Natural Park/Biosphere reserves
 - (v) Nullahs/Streams/Rivers
 - (vi) Ponds/Lakes/Dams
 - (vii) Estuary/Sea
 - (viii) Hills/Mountains
 - (ix) Monuments
 - (x) Settlements and population
 - (xi) List of industries



4. TOWNSHIP

4.1 Do you propose to build a township/housing quarters for your employees?

4.1.1 Area allocated for above

4.1.2 Population to be accommodated

4.1.3 Distance from township to plant site

4.1.4 Services provided in township

(i) Water supply daily consumption

(ii) Sewer system

(iii) Sewage treatment

5. WATER REQUIREMENTS

5.1.1 Source of water—Public supply/Ground/River/Lake/Bay/Estuary

5.1.2 Is any pretreatment necessary for use? If yes, please specify.

5.1.3 Average daily quantities consumed for

Average daily consumption

(i) Process and wash

(ii) Cooling

(iii) Sanitary

(iv) Total

5.1.4 Are adequate quantities available

(i) At present

(ii) For future expansion

6. WASTE WATER DISCHARGES

6.1 Total quantity of waste water discharges from the industry per day

6.1.1 Waste water discharges per day from

(i) Process and wash

(ii) Cooling

(iii) Sanitary

(iv) Total



- 6.1.2 How do you propose to discharge the waste water ?
- 6.1.3 Type of treatment proposed to be adopted.
Give details and flow chart
- 6.1.4 What standards for quality of treated effluent have you proposed to adopt to it (e.g., ISI, State/Central Water Pollution Board, Local Authority or other conformity with S/C) ?
- 6.1.5 Mode of final discharge—open channel/pipeline/covered drains/others
- 6.1.6 Points of final discharge—Land/Agricultural land/Sewer/River/Lake/Bay/Estuary/Sea
- 6.1.7 What methods you propose to adopt for handling and disposal of sludge from treatment plants ?
- 6.1.8 Indicate available information on waste water characteristics as below :

(a) Physical	(b) Chemical
Temperature	Acidity ;
pH	Total and pH
Colour	Alkalinity ;
Turbidity	Total and pH
Odour	Hardness, total
Total solids	B. D. D.
	C. O. D.
Total suspended solids	Oil and Grease
Total Volatile solids	Total N
	Phosphates, total
	Chlorides
	Sulphates
	Sodium
	Potassium
	Calcium
	Magnesium



- 6.1.9 What other specified toxic substance is discharged? Please specify nature and concentration (Inorganics, organics including pesticides and organo-chlorine compounds, phenols, lignin, mercaptans, heavy metals and radioactive substances).

7. SOLID WASTES PROCESS TREATMENT PLANTS

- 7.1 Total quantity of solids wastes in tonne per day
- 7.2 Nature of waste — Lumes/ Granules/Dust/Slurry/Sludge
- 7.3 Approximate composition (e.g., organics, glass, metal, etc.)
- 7.4 Method proposed for disposal, including Treatment Plant sludge. Please give details
- Landfill/Dumping/
Composition/
Incineration/Solid
- 7.5 Have you considered the possibility of recovery and reutilisation of any portion of the solid wastes? If yes, give details
- 7.6 Have you any problem regarding collection, handling and transport of solid waste? If yes, specify
- YES/NO
- 7.7 Are there any problem of subsequent pollution of air, water or soil likely at the place of disposal of solid wastes? If yes, please explain indicating the methods proposed for prevention of such pollution

8. ATMOSPHERIC EMISSIONS

- 8.1 Emission from fuel burning :
Expected quantity of stack emission
Temperature of emission, Composition of emission



(a) Particulates

(b) Gases

(i) Sulphur dioxide

Carbon monoxide

(ii) Nitrogen oxides

Moisture

(iii) Hydrocarbons

Other specify

8.2 Emission from process :

Expected emissions

Quality

(a) Temperature

(b) Particulates

(c) Gases

(i) Sulphur dioxide

(ii) Nitrogen oxide

(iii) Carbon monoxide

(iv) Ammonia

(v) Acid mists

(vi) Halogens

(vii) Hydrocarbons

(viii) Mercaptans

(ix) Other specify

8.3 Height of stack (s) for atmospheric emission

8.4 Proposed air pollution control system.
Give detailed specifications
(e.g., Collectors, precipitators, scrubbers)

8.5 Proposed method of handling and disposal of waste trapped by pollution arresting equipment

8.6 Are any standards of emission prescribed for or adopted by your industry? If yes, please specify.



9. OTHER SOURCES OF POLLUTION

- 9.1 Is your industry likely to cause noise pollution? If yes, what noise abatement programme have you planned?
- 9.2 Is there any odour problem likely to occur from your industry? If yes, what measures are proposed to be taken?
- 9.3 Is there any thermal pollution of surface water likely to occur from your industrial discharge? If yes, what measures are proposed to be taken? R/A

10. POLLUTION CONTROL MANAGEMENT

- 10.1 Give details of the organ set up for control propose to have
- 10.2 What is the level of expertise of the person responsible for pollution control?
- 10.3 Do you propose to monitor the pollution from your industry? If yes, give details
- 10.4 What Laboratory facilities you propose to have for the above?
- 10.5 Give details of operation and maintenance of facilities you propose to have pollution control equipment treatment plants

YES/NO

11. COST OF POLLUTION CONTROL

- 11.1 Total expenditure proposed for pollution monitoring and control

Amounts	Percentage
	total capital investments/
	Recurring expenditure of
	the industry
- Capital -
- Recurring -



12. Any other additional information about beneficial or adverse environmental impacts from your industry

Place :

Signature :

Date :

Name :

Designation :

Address :

Note : To be typed neatly or use Capital letters.



APPENDIX — IV

Total Revenue

(Rs. in crores)

	R.B.E	Revenue	Realisation	Increase	Percentage
	1989-90	1988-89	1989-90		
<u>Indirect Taxes</u>					
Customs	17,876.99	15,755.09	17,887.47	2,132.38	13.53
Excise	22,001.76	18,738.81	22,174.86	3,436.05	18.34
Total	39,878.75	34,493.90	40,062.33	5,568.43	16.14
<u>Direct Taxes</u>					
C.T. & I.T.	9,755.00	8,644.72	9,547.24	902.52	10.44
Grand Total	49,633.75	43,138.62	49,609.57	6,470.95	15.60

Direct Taxes

The collection up to March 1990 was Rs. 9,547.24 (Provisional) as against Rs. 8,644.72 crores up to March 1989, thus registering an increase of Rs. 902.52 crores.

Total Central Revenue

Although the total Central revenue collection of Rs. 49,609.57 crores during 1989-90 marginally falls short of Revised Budget Estimate of Rs. 49,633.75 crores by (-) 0.05 percent, this gap is likely to be more than made good on receipt of the final figures. The total collection is (+) 15.00 per cent more than corresponding figures of Rs. 43,138.62 crores achieved during 1988-89.

Source : Govt. of India, Ministry of Finance (Deptt. of Revenue) Revenue Collection Report, 1988-89.



APPENDIX — IVA

Direct Taxes (Corporation Tax and Income Tax only)

				Rs. in crores				
<u>Personal Income Tax</u>				<u>Corporation Tax (Non-oil)</u>				
1988-89	1989-90	% Increase	% of RBE 5000	1988-89	oil	1989-90	oil	Total % increase
103.13	136.06	31.93		17.32		12.63		27.08
192.91	275.34	42.73		20.01		63.13		215.49
323.07	500.88	55.04		80.52		105.38		30.87
518.40	730.29	40.87		300.38		177.90		40.78
705.41	1,111.22	57.53		462.15	45.40	263.71		42.94
1,269.00	1,720.09	35.55		1,080.63	127.87	937.33	95.00	13.26
1,537.74	2,042.59	32.83		1,164.02	-	1,100.89	-	5.42
1,728.25	2,298.84	33.02		1,228.77	-	1,129.06	9.05	8.11
2,357.01	3,030.62	28.58		2,117.86	190.58	2,060.79	127.00	2.69
2,776.71	3,370.94	21.40		2,265.84	-	2,311.76	-	2.03
2,944.30	5,337.88	20.16		2,309.17	-	2,514.41	16.36	8.89
4,238.16	4,943.42	16.64	98.87	3,860.98	211.73	4,156.41	200.00	7.65

Source : Govt. of India, Ministry of Finance (Deptt. of Revenue), Revenue Collection Report, 1988-89.



APPENDIX — IVB

Total Collection of Direct Taxes (I. T. & C. T)

1988-89	1989-90	% Increase	Rs. in crores
			% of RBE 9755
120.45	148.69	23.45	1.65
212.92	338.47	58.97	3.76
403.59	606.26	50.22	6.74
818.78	908.19	10.92	10.09
1,182.96	1,374.93	16.23	15.28
2,492.90	2,752.42	10.41	30.58
2,845.03	3,238.48	13.83	35.98
3,100.29	3,531.95	13.92	39.24
4,808.72	5,322.46	10.68	59.14
5,376.40	5,913.75	9.99	65.71
5,587.32	6,299.70	12.75	70.00
8,644.72	9,547.24	10.44	97.87

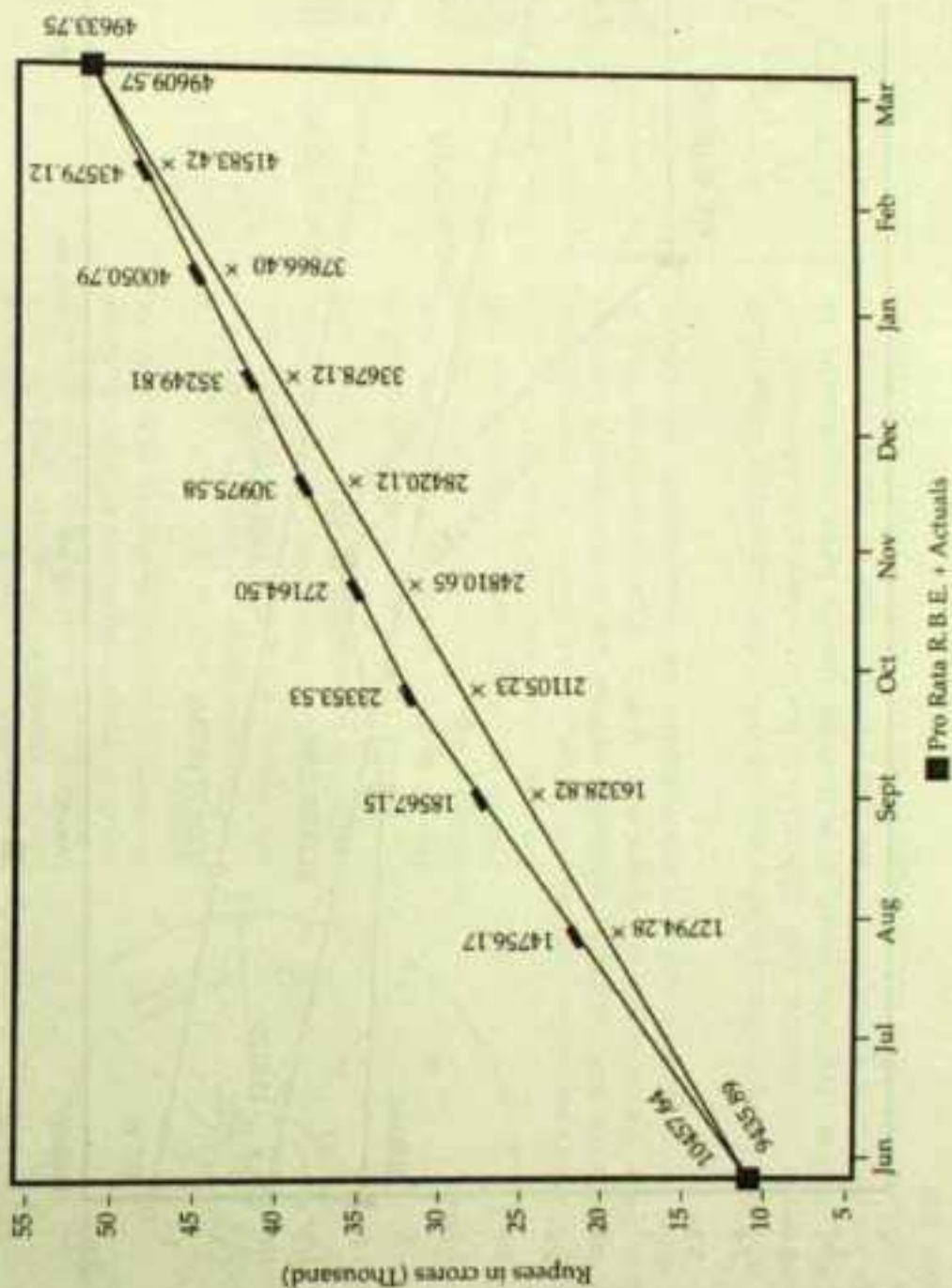
Source : Govt. of India, Ministry of Finance (Deptt. of Revenue), Revenue Collection Report.



APPENDIX — IVC

Central Revenues (Cumulative) for 1989-90

Pro Rata R.B.E. & Actuals

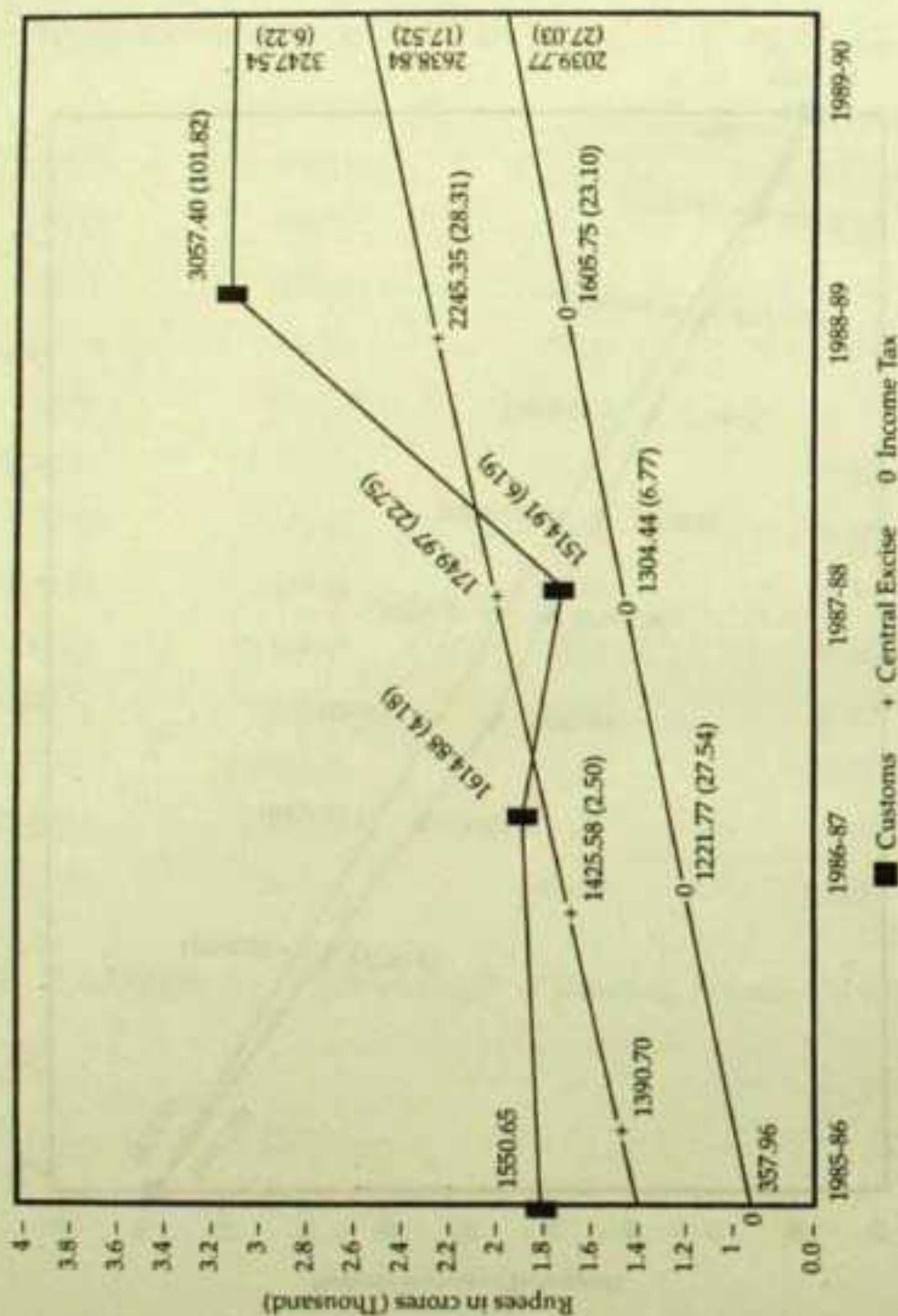


Source : Govt. of India, Ministry of Finance (Deptt. of Revenue), Revenue Collection Report.



APPENDIX — IVD

Customs, Central Excise & Income Tax Revenue Relisation for March



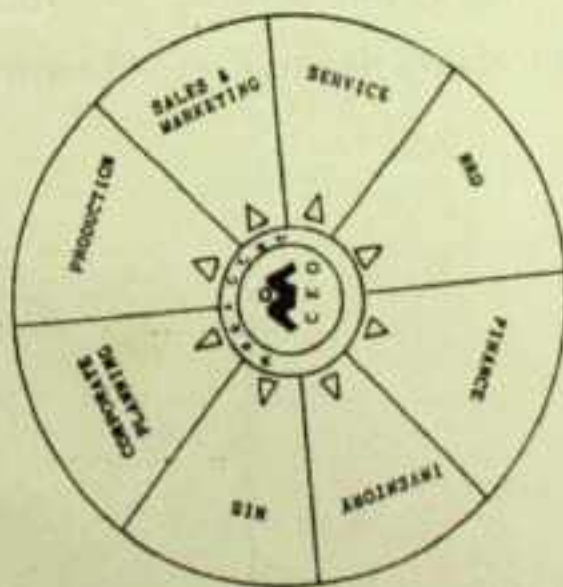
Figures in brackets show the percentage growth over previous year

Source : Govt. of India, Ministry of Finance (Deptt. of Revenue), Revenue Collection Report.

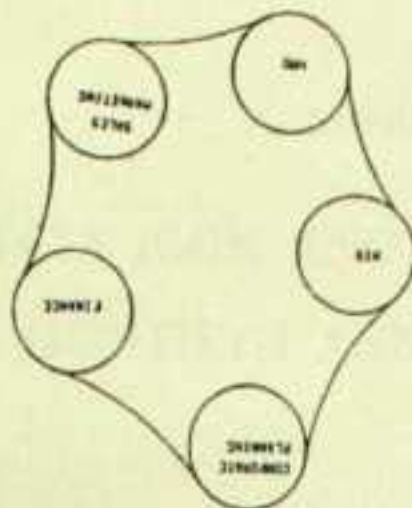
APPENDIX — V

Breaking the Barriers of Bureaucracy

The Flower Shape



The Amoeba



The age old hierarchical pyramid in many companies is giving way to more dynamic structures. As organisation aim to become more competitive a flatter structure is more conducive to being closer to the market.

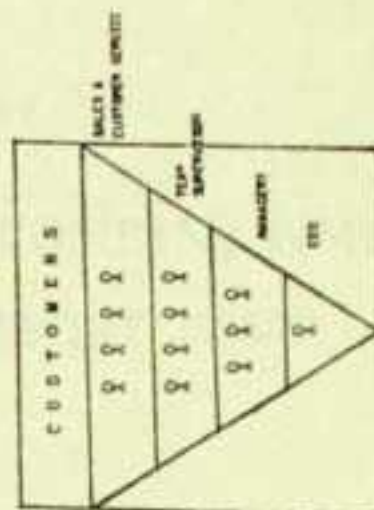
The customer is at the apex and everybody even the CEO—is ultimately responsible to him. Here the quality is the customer satisfaction and that is the goal.

In the flower structure each petal is the—function it delinks hierarchies from designation. Designation has no relation to hierarchy. A hierarchy is a necessary evil because you have to define roles. But cutting through that to make the organisation function is what counts. Self management and empowerment is the fundamental philosophy behind less hierarchical structures. The Corporate Body forms what is known as a matrix organisation—one that is suitable to short term project and bypasses traditional bureaucratic procedures altogether.

Suntory beer Co. in Japan has amoeba type. A body that constantly turns itself in an endless cycle of creation and destruction. Earlier managers felt need for consistency and control. The new prodigm is that the people have the capacity to bring change inside out, not outside in. One thing is clear that compartmentalised, bureaucratic pyramid shape is out. Traditional red tape can prove to be a burden on the bottom line.

Source : ET Esquire : The Economic Times Calcutta—Sara Adhikari on how companies are changing the shape of their hierarchies in order to stay ahead—10th August, 1991 (page : 1).

The Inverted Pyramid





APPENDIX — VI

THE TATA IRON AND STEEL COMPANY LIMITED EIGHTIETH ANNUAL REPORT 1986-87

Annexures to Directors' Reports giving Particulars of Employees pursuant to section 217(2A) of the Companies Act, 1956

	Pg. Nos.
Annexure - A : The Tata Iron & Steel Co. Ltd.	1-38
Annexure - B : Tata Refractories Ltd.	39
Annexure - C : The Tata Pigments Ltd.	39
Annexure - D : Special Steels Ltd.	40-45



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**SYNOPSIS OF THE APPRAISAL BY PAUL GARNER,
THE FOREIGN EXAMINER, THE DEAN EMERITUS OF
THE UNIVERSITY OF ALABAMA, OF THE THESIS :**

The author of the thesis has done an excellent job of summarizing the merits of having social audit inaugurated on the part of public companies. He is a talented writer with extremely sharp skills and knowledge of the scientific aspects of the social degradation of the environment and the human condition due to the production and use of daily products and services. His description is vivid and persuasive and I am confident that he would have satisfied Professor Howard R. Bowen, the originator of the concept of 'Social Audit', through this well written thesis as a praiseworthy successor.

The author of the thesis builds up his case for social audits in many imaginative ways in the several chapters. They impressively build on each other all the way to the conclusions. This is one of the attractive aspects of the manuscript.

This thesis for the doctorate is one of the finest that I have had the privilege of appraising from the University of Calcutta and I appreciate the author and his senior advisor, Professor Dr. Basu, for the handling of the subject so excellently.

In conclusion, I am convinced that this thesis has much merit and has also a great deal of originality. I hope that it will be widely distributed in a published form.

20-05-05